CANADA COUNCIL FOR THE ARTS

Annual Report 2009-10

BRIDGETOWN
HALIFAX
PORT HARDY
SAINT-SAUVEUR-DES-MONTS
DAWSON
CRAPAUD
EDMUNDSTON
SAINT-JACQUES
CROSS ROADS COUNTRY
HARBOUR
NEW GLASGOW
PORT COQUITLAM
TEMAGAMI
HUBLEY
CREEMORE
SAINT-ANTOINE-SUR-RICHELIEU
GRANDE PRAIRIE
UPPER TANTALLON
WEST VANCOUVER
TRURO
WOODMORE
PARADISE
GRAND RAPIDS
LAVAL
SAINT-DENIS-SUR-RICHELIEU
NORLAND
EASTMAN
ENTRELACS
RIVERVIEW
KINGSTON
HERIOT BAY
EVANSVILLE
LAVAL-DES-RAPIDES
CÔTE SAINT-LUC
DENNY ISLAND
SAINT-JACQUES-LE-MINEUR
HYTHE
SAINT-ALPHONSE-DE-GRANBY
NORTH HATLEY
WHITEFISH FALLS
THEDFORD
MIRABEL
ST. ALBERT
VERDUN
HOLSTEIN
KEMBLE
MUENSTER
CHAMBLY
SILLERY
GRAND BANK
VERCHÈRES
LA PRAIRIE
BOLTON-EST
HAMILTON
SHELBURNE
MOOSE JAW
SUMMERSIDE
KINDER ISLAND
HOLLAND LANDING
NORTH SAANICH
KELOWNA
ANNAPOLIS ROYAL
DALHOUSIE
MASKINONGÉ
HIGH RIVER
WOODBRIDGE
GARDEN RIVER
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HAVRE-AUX-MAISONS
HEAD OF ST. MARGARETS BAY
RICHMOND
SWIFT CURRENT
COALDALE
GUYSBOROUGH
LAC BROME
MATANE
L'ÎLE-BIZARD
MAGOG
JONQUIÈRE
PICKERING
GLOUCESTER
CORNWALL
ONANOLE
IROQUOIS
EAST YORK
BRANDON
COURTENAY
LANTZVILLE
TROIS-RIVIÈRES
BAIE-COMEAU
CHUTE-SAINT-PHILIPPE
VAL-D'OR
MONT-JOLI
SAINT-MATHIEU-DE-RIOUX
HATLEY
BRIDGEWATER
KLEINBURG
LONGFORD MILLS
MORLEY
ANTIGONISH
SUMMER BEAVER
BLAINVILLE
SAINT-PAULIN
VERNON
VANIER
YORK
MINNEDOSA
NEW RICHMOND
GRIMSBY
GALIANO ISLAND
PERTH
ORFORD
LUNENBURG
SYDNEY
SAINT-EUSTACHE
BOWEN ISLAND
BOUCHERVILLE
MINDEN
BONAVENTURE
SMITHERS
UXBRIDGE
MADEIRA PARK
SAINT-ADOLPHE-D'HOWARD
SAINT-BONIFACE
GASPÉ
SAINT-JEAN-DE-MATHA
EAST LAWRENCETOWN
PINE FALLS
MERCIER
ATWOOD
SPENCERVILLE
CHEMAINUS
SALMON ARM
STRATFORD
SAINTE-PÉTRONILLE
WOLFE ISLAND
SOREL-TRACY
EASTPORT
QUISPAMSIS

LÉVIS
MILLBROOK
BIGGAR
ROSEISLE
WINDSOR
SURREY
WOODSTOCK
WENDAKE
KENTVILLE
DURHAM
INGLEWOOD
PETERBOROUGH
HUMBOLDT
NARAMATA
GITWINKSIHLKW
SAINT-JEAN-PORT-JOLI
PETERSFIELD
MULGRAVE
GABRIOLA
THORNHILL
KANGIQSUJUAQ
BOWSER
WATERLOO
NIAGARA FALLS
THUNDER BAY
NORTH YORK
PORT DOVER
RAMA
STEPHENVILLE
HAINES JUNCTION
NELSON
CALLANDER
WHALETOWN
LAC-KÉNOGAMI
SAINT-HIPPOLYTE
BOWMANVILLE
OUTREMONT
SAINT-NORBERT
RED DEER
MAYNE
BLOOMFIELD
LADYSMITH
DORVAL
DUNCAN
NORTH BAY
TORONTO
NANOOSE BAY
AJAX
MILLGROVE
SKIDEGATE
CALGARY
OSHAWA
KUUJJUAQ
FERNIE
CUMBERLAND
SAINTE-MÉLANIE
CHICOUTIMI
THETFORD MINES
SAMBRO
KITCHENER
LETHBRIDGE
SAINT-GABRIEL-DE-BRANDON
GRANDES-BERGERONNES
MISSION
SUTTON
VANCOUVER
OAK [illegible]
PARRY SOUND
HAMPSTEAD
JOLIETTE
BEACONSFIELD
SYDENHAM
QUILL[illegible]

BATH
PORT MAITLAND
GORE
ORANGEVILLE
BARRIE
CABRI
CHÂTEAUGUAY
TERRACE
KINGSVILLE
GRAND-MÉTIS
WIARTON
RIVIÈRE-DU-LOUP
ASHCROFT
SHIPPAGAN
HUDSON
ORLEANS
LAVALTRIE
BROMONT
CANNING
WHITE ROCK
PIERREFONDS
NEPEAN
FORT MACLEOD
ERIN
LANGLEY
SACRÉ-COEUR-SAGUENAY
ARMSTRONG
WINNIPEG
ABBOTSFORD
POWELL RIVER
MELBOURNE
VICTORIAVILLE
WELLINGTON STATION
NORTH VANCOUVER
BLYTH
STEPHENVILLE CROSSING
SAINT-FORTUNAT
ROSEMÈRE
DIEPPE
MANIWAKI
GIBSONS
VICTORIA
EMERYVILLE
SENNETERRE
QUALICUM BEACH
CANMORE
SAINT-CUTHBERT
PONTHILL
CHERRY HILL
BURLINGTON
SAINTE-ANNE-DES-LACS
PRINCE ALBERT
STONEY CREEK
NEW DENVER
OHSWEKEN
NIAGARA-ON-THE-LAKE
AIRDRIE
TESLIN
QUEEN CHARLOTTE CITY
SAINT-HILAIRE
HEARST
SALT SPRING ISLAND
HORNBY ISLAND
CAMBRIDGE BAY
SHERBROOKE
PRINCE RUPERT
CAMBRIDGE
CHARLESBOURG
RIMOUSKI
SAINTE-CATHERINE
CAP-AUX-MEULES
PANGNIRTUNG
CRAIGMORE

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PENTICTON
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CONCORD
RIVER JOHN
SAINT-SÉVÈRE
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SOUTH SLOCAN
MILTON
CHURCH POINT
ROBERTS CREEK
SUDBURY
EDEN MILLS
BANFF
CHATHAM
PARRSBORO
TROIS-PISTOLES
MERRIJN
NANAIMO
LONDON
SARNIA
MAPLE RIDGE
DOWNSVIEW
FORT QU'APPELLE
MEDICINE HAT
WILLOWDALE
CASTLEGAR
YELLOWKNIFE
POINTE-BLEUE
INUKJUAK
DRUMMONDVILLE
SPRUCEWOODS
WINLAW
COQUITLAM
OTTAWA
REGINA
STOUFFVILLE
WEMINDJI
CHESTER
GLEN MARGARET

Canada Council for the Arts
Annual Report 2009-10

Le Conseil des Arts du Canada a imprimé séparément les versions anglaises et françaises de son Rapport annuel 2009-2010 afin d'économiser une quantité importante de papier et de réduire son incidence sur l'environnement. Il est possible de consulter les deux versions du rapport à conseildesarts.ca ou de les commander en nous écrivant (voir adresses page suivante).

The Canada Council for the Arts has printed separate English- and French-language versions of its 2009-10 Annual Report in order to save paper and reduce our impact on the environment. Both language versions are available either at canadacouncil.ca or by contacting us (see addresses opposite).

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The 53rd Annual Report of the Canada Council for the Arts and supplementary information on grants, services and awards are available on the Council's website.

Mandate

The Canada Council for the Arts is a federal Crown corporation created by an Act of Parliament in 1957 "to foster and promote the study and enjoyment of, and the production of works in, the arts."

The Council offers a broad range of grants (6,200 in 2009-10) and services to professional Canadian artists and arts organizations in music, theatre, writing and publishing, visual arts, dance, media arts and integrated arts. It further seeks to raise public awareness of the arts through its communications, research and arts promotion activities.

The Council also awards prizes and fellowships every year to approximately 200 artists and scholars. The Canadian Commission for UNESCO and the Public Lending Right Commission operate within the Council. The Canada Council Art Bank, which has some 17,500 works of contemporary Canadian art in its collection, rents to the public and private sectors.

The Canada Council is governed by an 11-member Board. The Chair, the members of the Board and the Director of the Council are appointed by the Governor in Council for fixed terms. The Council relies heavily on the advice of artists and arts professionals from all parts of Canada (some 750 serve annually as jurors, or peer assessors) and works in close cooperation with federal, provincial, territorial and municipal arts and cultural agencies and departments. The Council reports to Parliament through the Minister of Canadian Heritage; its accounts are audited by the Auditor General of Canada. The annual budget allocation from Parliament is supplemented by endowment income, donations and bequests.

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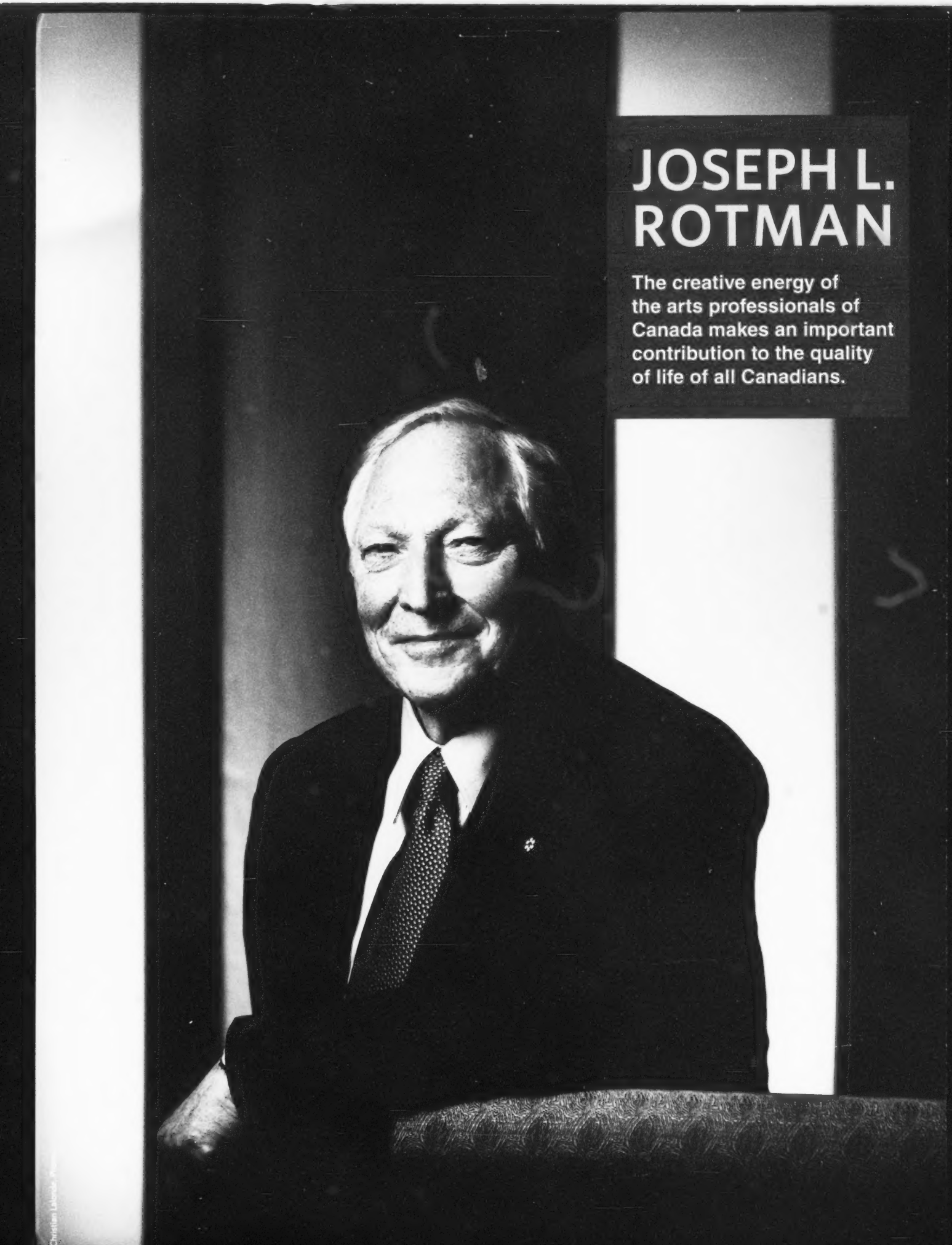
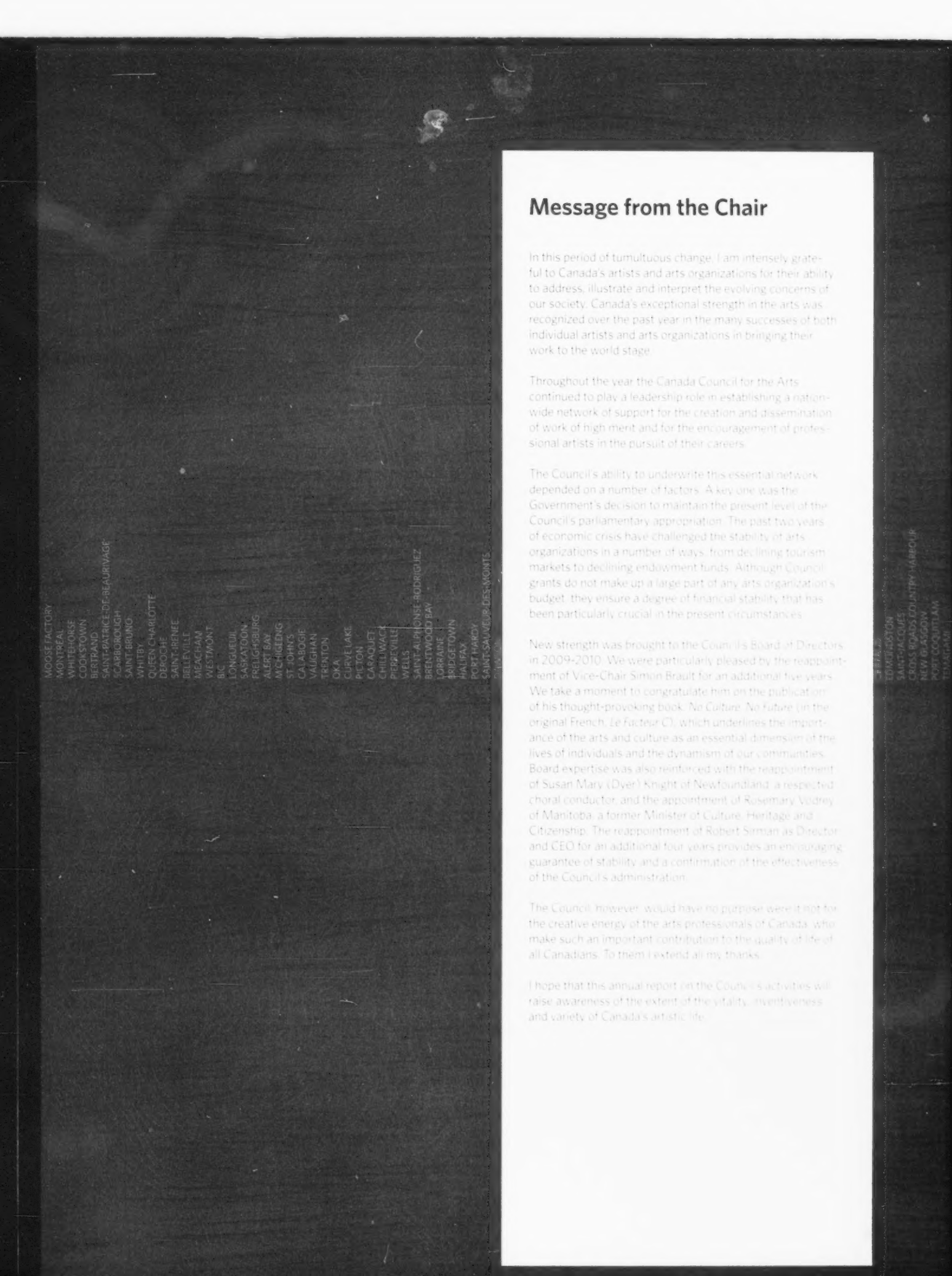

JOSEPH L.
ROTMAN
The creative energy of the arts professionals of Canada makes an important contribution to the quality of life of all Canadians.



Message from the Chair

In this period of tumultuous change, I am intensely grateful to Canada's artists and arts organizations for their ability to address, illustrate and interpret the evolving concerns of our society. Canada's exceptional strength in the arts was recognized over the past year in the many successes of both individual artists and arts organizations in bringing their work to the world stage.

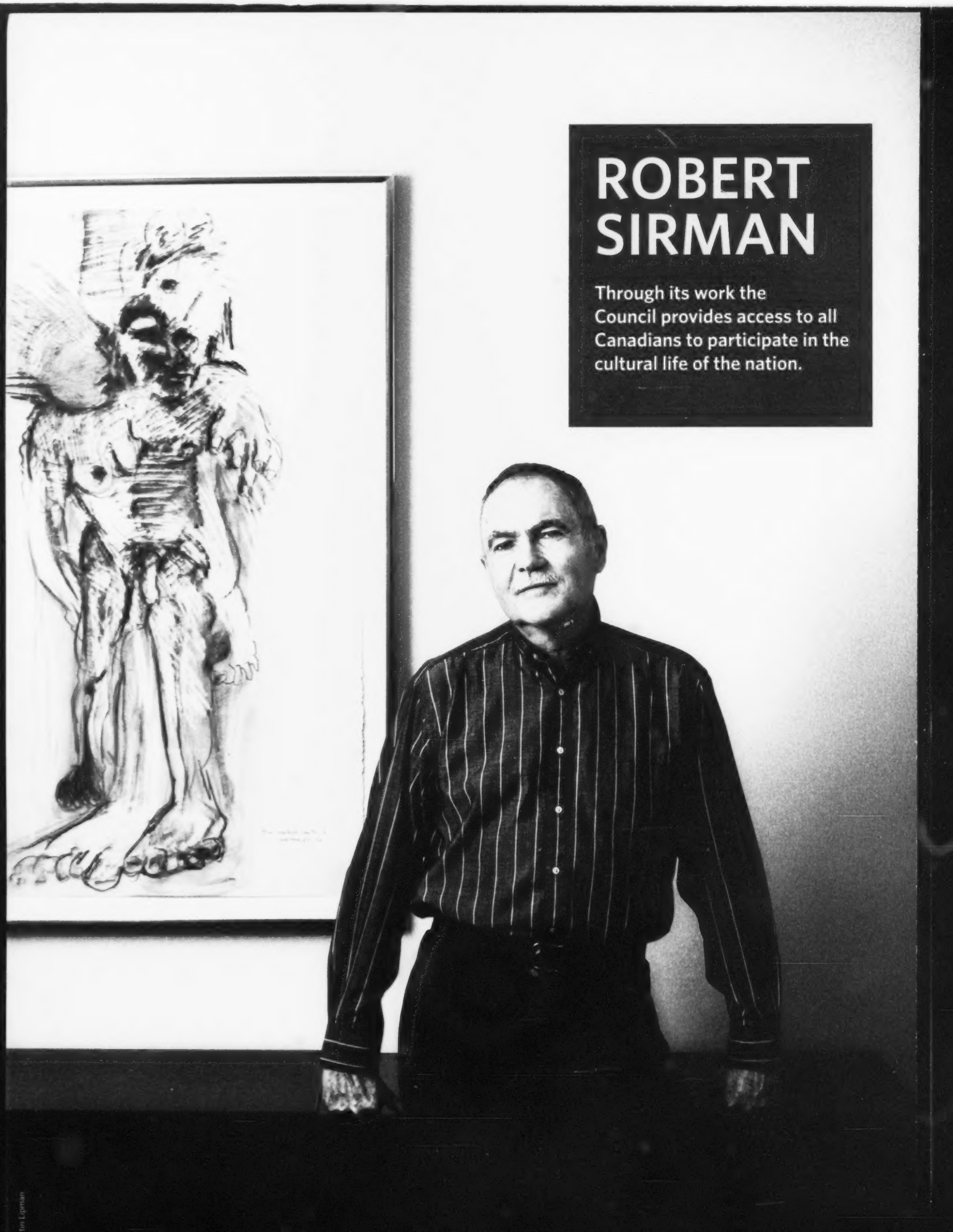
Throughout the year the Canada Council for the Arts continued to play a leadership role in establishing a nationwide network of support for the creation and dissemination of work of high merit and for the encouragement of professional artists in the pursuit of their careers.

The Council's ability to underwrite this essential network depended on a number of factors. A key one was the Government's decision to maintain the present level of the Council's parliamentary appropriation. The past two years of economic crisis have challenged the stability of arts organizations in a number of ways, from declining tourism markets to declining endowment funds. Although Council grants do not make up a large part of any arts organization's budget, they ensure a degree of financial stability that has been particularly crucial in the present circumstances.

New strength was brought to the Council's Board of Directors in 2009-2010. We were particularly pleased by the reappointment of Vice-Chair Simon Brault for an additional five years. We take a moment to congratulate him on the publication of his thought-provoking book, *No Culture, No Future* (in the original French, *Le Facteur C*), which underlines the importance of the arts and culture as an essential dimension of the lives of individuals and the dynamism of our communities. Board expertise was also reinforced with the reappointment of Susan Mary (Dyer) Knight of Newfoundland, a respected choral conductor, and the appointment of Rosemary Vodrey of Manitoba, a former Minister of Culture, Heritage and Citizenship. The reappointment of Robert Sirman as Director and CEO for an additional four years provides an encouraging guarantee of stability and a confirmation of the effectiveness of the Council's administration.

The Council, however, would have no purpose were it not for the creative energy of the arts professionals of Canada, who make such an important contribution to the quality of life of all Canadians. To them I extend all my thanks.

I hope that this annual report on the Council's activities will raise awareness of the extent of the vitality, inventiveness and variety of Canada's artistic life.


ROBERT
SIRMAN
Through its work the Council provides access to all Canadians to participate in the cultural life of the nation.

Message from the Director

Annual reports provide good opportunities to reflect on performance: How are we doing? How is the Council's work benefiting Canadians? What difference are we making?

Some indicators are distinctly positive. The government's March 2010 Budget speech underlined that a Council-wide strategic review had demonstrated that our programs are "aligned with the priorities of Canadians." And as the corporate scorecard published elsewhere in this report reveals, the Council is making real progress in implementing all five directions of its current strategic plan, *Moving Forward*.

But in a bigger sense, we are still lacking many of the answers we seek. The challenge of measuring the impact of public investment in the arts confronts funders everywhere, not just in Canada but around the world.

In recent years the Council has focused more of its attention on the broader context in which the arts operate. In *Moving Forward* we refer to this broader context as the arts ecosystem, and talk about the need for better mapping of this bigger universe. We are trying to push beyond the boundaries of professional practice to raise awareness of how the arts enrich everyone's life, not just those in the concert hall or art gallery.

One of the reasons we are doing this is because of the experience of other sectors with longer histories of public investment than the arts. Health care, for example, achieved significant breakthroughs when governments expanded their focus beyond specialized services like hospitals to the social determinants of health – good nutrition, regular exercise, poverty reduction, risk avoidance, adequate housing. Hospitals continue to play a key role as the most specialized – and expensive – part of the health care delivery system, but the burden of responsibility for good health has shifted radically from the specialist to the population at large.

That's why the Council is delighted to be one of the founding partners of Culture Days, a free interactive celebration of arts and culture scheduled to unfold across Canada for the first time in the fall of 2010. Culture Days is designed to broaden public awareness and engagement in the arts much like the ParticipACTION program does for physical fitness. It is only a beginning, but its potential to change the lives of Canadians – and the context in which the Council functions – is huge.

We live in an age of constant change, and everywhere we turn artists are on the front lines of innovation and invention. Through its work the Council strives to strengthen the infrastructure that supports the highest standards of professional arts practice in the country, and provides access to all Canadians to participate in the cultural life of the nation.

Our mission will never be fulfilled, however, until everyone recognizes cultural engagement to be as integral to a good life as exercise and proper nutrition – and not for one weekend a year, but forever.

The Strategic Plan's vision and stable funding have allowed artists and arts organizations to focus on creating excellent work and presenting it to Canadians.

Management's Discussion and Analysis

Moving Forward 2008-11

In 2007, the Canada Council prepared its current strategic plan, *Moving Forward 2008-11*, following the largest stakeholder consultation in its history. *Moving Forward* outlined the values that lie at the heart of the Canada Council's work and articulated five directions to guide it over the following three years.

In February 2008, the Council released an Action Plan that specifically addressed how the five directions would be implemented, including the allocation of $30 million in new funding in the Council's Parliamentary appropriation.[1]

In 2009-10, the Council completed the second full year of the Strategic and Action Plans. The Strategic Plan has focused the energies and resources of the organization on a clearly articulated set of priorities in synch with the needs of the arts sector. There has been significant progress on a number of initiatives, while others are in development. This reflects the complex and far-reaching nature of many of the initiatives.

A large part of the investment in the Action Plan has gone into strengthening existing granting programs to artists and arts organizations for the creation and dissemination of art – to respond to the increasing desire of Canadians to benefit from artistic activity in their communities.

There have also been increases in multi-year operating and project grants for both individuals and organizations, representing a critical shift in supporting complex creative processes. Long-term funding allows organizations to plan and execute innovative artistic programs with confidence and security, a crucial factor in the current economic climate, when some funders, including foundations and private sponsors, have been decreasing support.

The Council has also devoted resources internally to strengthening its processes and policies to allow it to better assess its own performance and impact and to ensure that it is delivering on its mandate. Two recent reviews of the Council's performance – the 2008 Special Examination by the Office of the Auditor General[2] and the 2009 Strategic Review – both provided positive feedback on the Council's expertise in program management. The latter review noted that the Council's work is "aligned with the priorities of Canadians" (Budget 2010).

Operating Environment

In 2008, the first year of the Council's current three-year operating cycle, the world experienced a severe economic downturn. No sector was spared. Employment, consumer spending, charitable giving, government revenues, tourism revenues and endowment income all declined, with serious consequences to those working in the arts. Recent research suggests that revenues for Canada's culture sector declined by 4.3% in 2009, or about $3.1 billion.[3] Today there are indications that a turnaround is underway, but the economy has not yet returned to pre-2008 conditions.

Moving Forward was implemented in 2008 with an additional $30 million (a 20% increase) in the Council's Parliamentary appropriation, bringing its annual budget to approximately $190 million (appropriation of $180 million plus endowment and other income of approximately $10 million).

In 2009 the Government confirmed that $25 million of the Council's appropriation scheduled to lapse at the end of March 2010 would be extended for an additional five years, and in March 2010 it announced that its appropriation would not be affected following the Strategic Review of its programs in 2009. In addition, declines in endowment income have had minimal immediate budgetary impact thanks to internal policies that smooth the impact of market volatility.

Despite the changing financial context, the Council's stable budget for 2009-10 allowed it to continue to implement its current Plan with confidence, and provide much-needed financial stability to many Canadian artists and arts organizations.

The economic downturn is by no means the only change that has occurred in the past three years. The social and cultural trends discussed in *Moving Forward*, such as demographic changes, an increasingly complex funding landscape and new approaches to arts practices, remain important factors that influence the environment in which the Council operates.

Other evolving trends include an increased focus on public engagement in the arts, the impact of new technologies and social media on artistic creation, consumption and dissemination, changing organizational models and practices, and environmental and social responsibility. The Council actively monitors these trends and is well placed to support artists and arts organizations in meeting new challenges and opportunities.

1. The Council's Parliamentary appropriation is the main source of funds that the Council receives from the Government each year to deliver on its mandate. In 2006-07 and 2007-08, the Council received one-time funding of $20 million and $30 million respectively. In July 2007, the Government announced that the $30 million would become recurring, bringing its appropriation to approximately $180 million.

2. The 2008 Special Examination by the Office of the Auditor General of Canada (OAG) concluded that the Council's systems and practices "had no significant deficiencies." In fact, the Council's systems and practices have contributed to its success in several areas. The OAG provided the Council with seven recommendations to strengthen its operations and practices. Among these were recommendations that the Council: further evaluate the results of its grants programs; and increase the value of its 140 financial assistance programs, 53 (38%) of which are administration and evaluation. The Council is committed to recommendations. Work is well on its way in all areas under way.

3. Conference Board of Canada, *The Impact of Cultural Industries: Investment in Canada's Digital Infrastructure*, 28 June 2010.

The Directions

Performance Highlights

The Canada Council measures its performance against the five directions outlined in its strategic plan, *Moving Forward 2008-11*.

These highlights compare the Council's 2009-10 achievements to those of 2005-06 - considered a baseline year (in 2006-07 and 2007-08, the Council received one-time funding allocated for special purposes).

The Corporate Scorecard (pages 12-15) provides more detail on the Council's performance in both 2009-10 and 2008-09.

Direction 1
Individual Artists

Reinforce the Council's commitment to individual artists, working alone or collaboratively, as the core of artistic practice in Canada.

The Strategic and Action Plans reaffirmed the Canada Council's belief in the centrality of individual practitioners in the arts ecosystem. The *Action Plan* allocated funds towards the careers and creative potential of artists and defined key objectives to improve access to professional development and to increase flexibility.

The Council demonstrated progress in reinforcing its commitment to individual artists by increasing the number of artists receiving grants and the typical[1] amount of funding they received. As well, more artists received their first grant from the Council. This has allowed a greater number of artists to create, travel and develop professionally. Additionally, established and mid-career artists benefited from growth in multi-year project grants, enabling them to undertake projects of larger scale.

Individual artists are at the heart of the Canadian arts sector, but too many are little known. Special initiatives such as web presentations of Canadian visual artists and authors at the 2010 Cultural Olympiad and an increased focus on prizes have helped to raise the profile of innovative and inspiring artists and reach new publics.

1. Typical is used here to mean "median," not "arithmetic average" in statistical terms, although both increased.

Direction 2
Arts Organizations

Broaden the Council's commitment to arts organizations to strengthen their capacity to underpin artistic practices in all parts of the country.

The Canada Council's Action Plan directed the largest portion of new funds to sustaining the work of arts organizations, seeing them as critical to creating excellent art, providing jobs, and engaging audiences and communities.

The most significant development has been a strong move from annual to multi-year operating support, providing greater stability and certainty to arts organizations. This includes a significant increase in access to annual and multi-year operating funding by Aboriginal and culturally diverse organizations, evidence of the vibrancy of art in those communities and the increasing public appetite for this work.

This growth in support was complemented by the ongoing implementation of the Canadian Arts Data / Données sur les arts au Canada (CADAC)[2] system, which simplifies the financial reporting process for organizations receiving operating funding from different levels of government. Organizations are better placed to reach audiences and create nationally and internationally acclaimed work when the administrative burden of funding is lightened.

The Canada Council has also increased its international program support for organizations.[3] This funding helps to develop new markets for their works and to showcase Canadian talent to the world.

Despite progress on stabilizing organizations and assisting their capacity to reach Canadian and international audiences, the Canada Council recognizes that the arts infrastructure[4] across the country remains uneven. It will therefore embark on a collaborative, multi-year, integrated approach to mapping the Canadian arts ecosystem to help it better target interventions and partnerships.

2. CADAC (Canadian Arts Data / Données sur les arts au Canada) is an integrated financial and statistical system for arts organizations applying for operating funding. Members: Alberta Foundation for the Arts, British Columbia Arts Council, Canada Council, City of Vancouver, New Brunswick Department of Wellness, Culture and Sport, Manitoba Arts Council, Ontario Arts Council, Saskatchewan Arts Board, Toronto Arts Council.

3. These dedicated programs have one specific objective or target clientele (such as international touring or Aboriginal arts programs), while non-dedicated or regular programs address broader objectives and may have multiple eligible activities.

Direction 3
Equity

Enhance the Council's leadership role in promoting equity as a critical priority in fulfilling Canada's artistic aspirations.

In *Moving Forward*, the Canada Council stated that equity is one of its fundamental values. It has long worked towards reducing inequities, recognizing the critical role the arts play in an increasingly diverse society. The Council has extended its equity work to include regional, linguistic, cultural, racial, generational and gender-based equity, with a new emphasis on other areas such as disability. New policies and tools to support the new approach include a revised definition of equity, a broadened mandate for the Council's Equity Office and a new voluntary personal identification form that will enable the Council to improve its understanding of the artistic milieu.

The Council has expanded and improved programs for culturally diverse artists and arts organizations and increased the number of capacity-building grants for Aboriginal organizations. Targeted funding for official-language minority communities has continued while the amount these communities receive from the base budget is increasing. Other initiatives have included: research in the area of disability arts and Aboriginal languages; the development of a Northern Strategy; and involvement in the Canadian Coalition Against Racism and Discrimination (co-ordinated by the Canadian Commission for UNESCO).

4. The Council's Strategic Plan argued that the quality of the arts infrastructure determines the strength of the arts in any given place or discipline and noted that a successful arts infrastructure includes "excellent individual artists, excellent arts organizations that support, employ, present, exhibit, publish or provide other resources for artists, engaged audiences, a supportive public, an enlightened funding and public policy environment, and facilities for the practice of art."

Direction 4
Partnership

Make partnerships with other organizations a key element in the Council's approach to advancing its mandate.

The Canada Council recognizes the increasing complexity of the arts funding and policy landscape and the value of greater collaboration with other organizations with mandates to support the arts. It continues to develop its relationships with other arts funders and with key stakeholders outside the arts. The Council uses partnerships as a mechanism to advance the four other strategic directions.

The Council has renewed its support for three successful partnerships – Alberta Creative Development Initiative, ArtReach Toronto and Vivacité Montréal – that target populations with low rates of engagement with the Council and that leverage funds from other levels of government.

Partnerships are used to do research, increase public awareness of the arts and bolster the arts funding system. Recent achievements include strengthening the Canadian Public Arts Funders (CPAF)[5] network, acting as secretariat for CADAC, and several partnerships that profiled Canadian artists at the 2010 Cultural Olympiad in Vancouver.

5. CPAF is a network that fosters and supports the arts in Canada through cooperation and collaboration of national, provincial and territorial arts councils and equivalent public arts funders. The national member of the network is the Canada Council, which also acts as the secretariat.

Direction 5
The Canada Council's Organizational Development

Enhance the Council's capacity to support the arts and implement change by strengthening its structure, staffing and services.

In 2009-10, the Canada Council continued its work on furthering its own expertise and capacity to serve the arts community. It has focused on developing its human resources function and instituted an organization-wide, participatory budgeting process. Currently, the Council is renewing its entire web presence, including its suite of online tools and resources, to better serve artists and arts organizations. The Council has also approved and implemented a far-reaching risk management strategy.

As part of the Council's focus on knowledge-sharing and increased capacity to demonstrate results and impact, it has enhanced its research, policy and program evaluation capacity. This complements work on a comprehensive examination of its program architecture, which will allow it to better align program design with desired results (an examination prompted by a recommendation in the Auditor General's Special Examination; five of the seven recommendations have been implemented, with the remaining two well under way).

Outlook

The current Strategic Plan has demonstrated the value for both the organization and stakeholders of clearly articulating the Canada Council's directions. The arts community has benefited from this vision and from the stable funding that has ensued. This has allowed artists and arts organizations to focus on creating and presenting excellent work to Canadians, and the Council to benefit from a shared and coherent sense of purpose. The Council will build upon this stability and clarity of vision in the coming years.

Corporate Scorecard

Canada Council at a glance

	2009-2010		2008-2009	
	('000s)		('000s)	
Parliamentary appropriation	**$ 183,122**		**$ 182,242**	
Grants				
Arts programs	$ 145,104		$ 144,687	
Prizes and fellowships	$ 3,323		$ 3,545	
Public Lending Right payments	$ 9,963		$ 9,954	
Total	**$ 158,390**		**$ 158,186**	
Grant applications				
Individual artists	9,634		8,751	
Arts organizations	6,505		6,554	
Total	**16,139**		**15,305**	
Applications received via GO! Grants Online (included in total above)	2,922		2,349	
Grants awarded				
Individual artists[1]	2,347		2,280	
Arts organizations[2]	3,853		3,888	
Total	**6,200**		**6,168**	
Communities in which the grants were awarded[3]	652		689	
First-time applicants (individual artists and arts organizations)				
First-time applicants	3,749		3,297	
Communities where they live or are located	691		643	
First-time recipients	1,130		1,195	
Peer assessors				
Peer assessors	757		805	
Communities where they live	147		192	
First-time peer assessors	347		342	
Canada Council Art Bank				
Works in collection	17,503		17,317	
Works loaned on rental contracts	5,980		6,382	
Rental income		$ 2,106		$ 2,142
New purchases	210	$ 596	13	$ 55
Works divested	24	$ 51	93	$ 16
Insured value of works		$ 68,197		$ 55,608
Canadian Commission for UNESCO				
Participation in events related to UNESCO's mandate	36		34	

For comparative purposes, all figures are based upon information as at June 1, or the next business day, of each fiscal year except in some cases where figures rely on data from final reports of the grants. These figures are updated on an annual basis to reflect the most recent information.

1. An individual artist may receive more than one grant in a given year. For example, an individual artist may receive a project grant and a travel grant.
2. An arts organization may receive more than one grant in a given year. For example, an arts organization may receive a project grant and an operating grant.
3. This figure includes 536 communities in Canada and 116 international communities (Canadian artists and authors residing outside Canada and international publishers and co-producers).

Direction ❶ Individual Artists

Reinforce the Council's commitment to individual artists, working alone or collaboratively, as the core of artistic practice in Canada.

	2009-2010		2008-2009	
		('000s)		('000s)
Support to individual artists (recipients, funding)	2,165	$ 23,256	2,097	$ 23,301
Strategies and program activities (recipients, funding)				
Support for residencies and commissioning	30	$ 514	33	$ 490
Support to artists and community collaborations	13	$ 143	21	$ 184
Multi-year project support to individual artists	45	$ 1,798	44	$ 1,744
Public Lending Right program				
Canadian authors receiving payments	17,058	$ 9,963	16,514	$ 9,954
Communities where they live (in Canada)	1,765		1,751	
Communities where they live (outside Canada)	358		357	
Celebrating exceptional achievement through prizes and fellowships				
Prize and fellowship recipients	219	$ 3,556	215	$ 3,546
Prize presentation ceremonies	12		21	
Communities where ceremonies were held	6		9	
Fine stringed instruments awarded on three-year term loans	14		13	
Insured value of instruments ($US)		**$ 27,276**		**$ 26,615**
Honoraria and travel fees for members of peer assessment and advisory committees				
Peer assessment committees - honoraria		$ 816		$ 766
Peer assessment committees - file reading fees		$ 596		$ 528
Advisory committees		$ 37		$ 27
Total		**$ 1,449**		**$ 1,321**
Support to dissemination activities (recipients, funding)	**223**	**$ 1,802**	**217**	**$ 1,547**
Travel grants (funding)				
Travel grants to professional artists	873	$ 1,189	782	$ 1,079
Other travel grants[1]	542	$ 2,073	529	$ 1,992
Total	**1,415**	**$ 3,262**	**1,311**	**$ 3,071**
Number of countries visited (approximate)	100		74	
Touring assistance grants (funding)				
Touring grants (music, dance, theatre only)	32	$ 320	30	$ 320
Grants for artist-run centres (recipients, funding)	**720**	**$ 3,400**	**734**	**$ 3,605**

1. Includes grants through the Audience and Market Development program and Aboriginal Peoples Collaborative Exchange.

Direction ❷ Arts Organizations

Broaden the Council's commitment to arts organizations to strengthen their capacity to underpin artistic practices in all parts of the country.

	2009-2010		2008-2009	
		('000s)		('000s)
Support to organizations (recipients/funding)	2,256	$ 122,880	2,305	$ 122,339
Operating support to organizations (recipients/funding)				
Annual operating support	380	$ 16,422	357	$ 15,538
Multi-year operating support	636	$ 75,119	618	$ 74,002
Total		**$ 91,541**		**$ 89,540**
Project support to organizations (recipients/funding)				
Annual project support	1,744	$ 28,203	1,829	$ 29,382
Multi-year project support	71	$ 3,010	70	$ 3,417
Total		**$ 31,213**		**$ 32,799**
Strategies and program initiatives (recipients/funding) (amounts included in totals above)				
Support for residencies and commissioning	99	$ 1,399	100	$ 1,441
Support to artists and community collaborations	74	$ 1,126	78	$ 1,351
Flying Squad and Flying Eagle support	223	$ 1,460	195	$ 1,344
Support for dissemination activities (recipients/funding)	**1,418**	**$ 26,955**	**1,426**	**$ 25,844**
Support to visiting foreign artists (recipients/funding)				
(amounts included in total support for dissemination activities above)	55	$ 129	48	$ 139
Number of countries represented	28		21	
Touring grants (grants/funding)				
Touring grants (music, dance, theatre only)	173	$ 3,783	157	$ 3,756
Literary readings[1]				
Grants for literary readings (grants/funding)	184	$ 697	228	$ 1,237
Literary readings	1,093		1,055	
Host organizations	168		201	
Communities where they are located	108		117	
Grants for work in an international context (grants/funding)	**731**	**$ 8,286**	**719**	**$ 8,238**

Direction ❸ Equity

Enhance the Council's leadership role in promoting equity as a critical priority in fulfilling Canada's artistic aspirations.

	2009-2010		2008-2009	
		('000s)		('000s)
Support to Aboriginal arts organizations and artistic practices (recipients/funding)				
Capacity Building Program for Aboriginal arts organizations[2]	29	$ 960	8	$ 154
Other support to Aboriginal arts organizations and artistic practices	409	$ 6,908	396	$ 6,415
Total		**$ 7,868**		**$ 6,569**
Support to culturally diverse arts organizations and artistic practices (recipients/funding)				
Capacity Building grants for culturally diverse arts organizations and artistic practices	44	$ 1,344	49	$ 1,530
Other support to culturally diverse arts organizations and artistic practices	597	$ 9,103	612	$ 9,777
Total		**$ 10,447**		**$ 11,307**
Support for interdepartmental partnership with the Official Languages Secretariat (PCH)		**$ 800**		**$ 800**

1. As a result of changes to the Literary Readings program, figures for 2009-10 should not be compared with data reported in 2008-09 or earlier. Beginning in 2009-10, organizations hosting large reading series are funded under the new Grants for Literary Arts Promotion program.

2. In 2008-09, the multi-year component of the Capacity Building Initiative was being redesigned.

Direction ❹ Partnership

Make partnerships with other organizations a key element in the Council's approach to advancing its mandate.

	2009-2010		2008-2009	
		('000s)		('000s)
Draw on the benefits of networks and partnerships (recipients/funding)				
Alberta Creative Development Initiative (ACDI)[1]	135	$ 2,160	125	$ 1,907
Arts Partners in Creative Development (APCD)[2]	17	$ 1,100	16	$ 1,500
New activities related to research capacity[3]				
CADAC: Canadian Arts Data				
Contribution towards a website to allow the Canada Council and other public funders to collect and share data on Canadian arts organizations in order to measure the performance of arts organizations across Canada.		$ 134		$ 235

Direction ❺ The Council's Organizational Development

Enhance the Council's capacity to support the arts and implement change by strengthening its structure, staffing and services.

	2009-2010		2008-2009	
Practice high standards of accountability				
Human Resources				
Employees	233		231	
Professional development and training costs per employee		$ 1,342		$ 915
Number of employee-trips outside the National Capital Region	729		762	
Communities visited by employees	96		89	
Promote the arts				
Media/public relations				
News releases/media advisories issued	48		47	
Council messages and ads in arts event programmes	55		46	
Media reports on the Governor General's Literary Awards (print & broadcast)	603		694	
Media reports on the Governor General's Awards in Visual and Media Arts (print & broadcast)	150		137	
Media reports on the Musical Instrument Bank (print & broadcast)[4]	100			
Canada Council Web site (canadacouncil.ca)				
Page views per year	8,182		7,921	
Visits per year	1,354		1,355	
Unique visitors	760		792	

1. The Alberta Creative Development Initiative (ACDI), begun in 2007-08, is a program designed to support the development of the arts in Alberta. It is a partnership between the Alberta Foundation for the Arts and the Canada Council for the Arts in collaboration with the Calgary Arts Development Authority and the Edmonton Arts Council. The Canada Council for the Arts and the Alberta Foundation for the Arts each contributed $1,000,000 annually to ACDI in its first three years.

2. Started in 2007-08, Arts Partners in Creative Development (APCD) was a three-year investment program designed to support the creation and development of original work to represent the artistic excellence and diverse cultures of British Columbia. APCD is a strategic partnership of the Province of B.C., City of Vancouver, Canada Council for the Arts, Vancouver Foundation, Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games and 2010 Legacies Now. The figure above represents the total invested by all the partners. The Canada Council for the Arts is contributing $500,000 per year to APCD.

3. The Council developed research capacities in the areas of survey methodologies, reporting on performance and outcomes, alternative research methodologies (e.g. Aboriginal arts community research consultations, "data mining," etc.), and developed expertise in the areas of reporting on issues related to equity, audience development and dissemination.

4. The Musical Instrument Bank competition occurs every three years.

Financial Overview

Highlights

The Council's parliamentary appropriation in 2009-10 was relatively unchanged from the previous year. It increased by $880 thousand, primarily in retroactive recognition of contractual growth in salaries and benefits over a two-year period. Investment returns at 15% were significantly improved over the 23% decline experienced in the previous year as the Council benefitted from the general improvement in global equity markets and the appreciation of the Canadian dollar. Upon reassessment, Council revised its asset mix investment targets and the resulting rebalancing was still in progress at March 31, 2010. After realizing investment losses of $4.9 million and impairment on available for sale financial instruments of $6.5 million, the Council earned net investment income of $7.8 million, and it will not be necessary to appropriate funds to or from its reserve from the capitalization of investment income. 2009-10 was the second year of implementation of the Council's *Strategic Plan 2008-11* and the Council was able to continue to deliver against the strategic directions identified in the plan, without significant resource reallocation. The net reported financial results for the Canada Council for the Arts for 2009-10 is a loss of $19 thousand (loss of $2,420 thousand in 2008-09).

Balance Sheet as at March 31

(in thousands of dollars)	2010	2009
Total assets	$ 295,588	$ 264,049
Total liabilities	34,117	38,669
Total equity	261,471	225,380

Statement of Operations for the years ending March 31

Parliamentary appropriation	$ 183,122	$ 182,242
Net investment income	7,825	5,398
Other revenue	3,259	2,852
Total revenue	**194,206**	**190,492**
Programs	176,628	176,042
Canadian Commission for UNESCO	2,005	2,521
General Administration	15,592	14,349
Total expenses	**194,225**	**192,912**
Net results for the year	**$ (19)**	**$ (2,420)**

Balance Sheet

Assets

As at March 31, 2010, total current assets were $6.7 million, a decrease of $5.0 million over the previous year. Current assets are those assets that in the normal course of operations are expected to be converted into cash or expensed within the next year. The major decrease occurred in cash equivalents which decreased from $8.2 million at March 31, 2009 to $4.5 million at March 31, 2010. Cash equivalents represent the temporary investment of the Council's excess daily cash requirements in a short-term pooled fund managed by a professional money manager. The short-term pooled fund earned a return of 0.25% in 2009-10 and had an average term to maturity of 19 days (2008-09: a return of 2.4% and an average term to maturity of 51 days). The overall decrease in cash and cash equivalents results from net cash provided by operating activities of $2.9 million, contributions from non-owners of $1.3 million and a decrease due to the net cash used for investing activities of $13.0 million. Current assets also included a derivative asset consisting of an unrealized gain of $3.8 million on foreign currency forward contracts that matured on March 31, 2010, but settled on April 7, 2010.

As at March 31, 2010, the fair value of the Council's investments was $265.6 million, which included $32.2 million in money market pooled funds targeted for future, long-term investment in Canadian equities, fixed income, infrastructure and real estate. Investments increased $36.5 million over the fair value of $229.1 million recorded at March 31, 2009. The increase in fair value reflects the overall recovery in the world markets from the previous year's global economic slowdown caused in large measure by a lack of liquidity and poor conditions in the global credit markets that created a reluctance to lend or borrow.

The Council invests in units of pooled funds that are managed by professional money managers. The Council's investments are guided by a *Statement of Investment Policies and Goals*, which is approved by the Board and available from the Council. The objectives of the portfolio are to generate long-term real returns to supplement the parliamentary appropriation and to support the fellowships and prizes for the Killam Funds and Special Funds, while maintaining the purchasing power of the endowed capital. The Killam Funds and Special Funds represent contributions from non-owners that have been received by way of donation and bequest and have been restricted for specific purposes by the donors. The Killam Funds are required to be maintained in a separate investment portfolio that is consolidated for reporting purposes. The Special Funds are included with the Council's investment portfolio; a proportionate share for each contribution is calculated based upon the fair value of the investment portfolio at the time each contribution was received.

In December 2009, the Board approved adjustment to the asset mix policy and at March 31, 2010 the Council had not completed re-balancing of the portfolio. The *Statement of Investment Policies and Goals* allows for a grace period of six months for the rebalancing of the asset classes to the benchmark.

An Investment Committee composed of independent experts with experience in both the investment field and the asset classes in which the Council invests assists in the oversight and management of the portfolio. Council Board Members sit on the Investment Committee. In addition, the Council uses the services of an independent investment consultant to assist the Investment Committee in its work.

The Investment Committee reviews the Council's investment policy annually, and, as considered necessary and appropriate, recommends adjustments to the asset mix and to the diversification of the portfolio management structure. This year, the Investment Committee took account of the global economic downturn and subsequent nascent recoveries and assessed the effect on the portfolio at each meeting through regular updates from the money managers and a review of the portfolio's performance with the investment consultant. The following table shows the actual comparative asset mix as well as the asset mix targets for the portfolio.

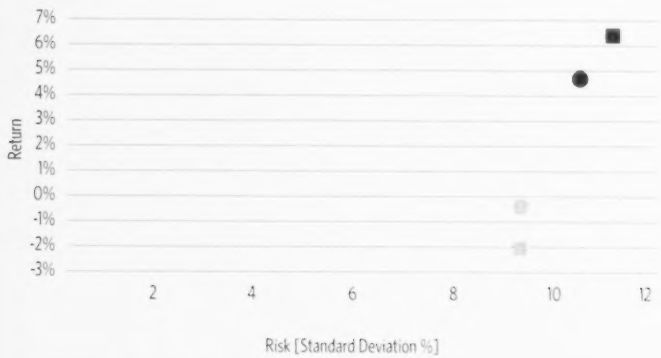
	Asset Mix 2009-10		Asset Mix 2008-09	
	Actual[1]	Target[2]	Actual[1]	Target
Investment				
Canadian equities	0%	5%	0%	0%
Global equities	46%	40%	47%	61%
Canadian fixed income	24%	35%	27%	20%
Alternatives	13%	10%	14%	10%
Real estate	3%	5%	5%	4%
Infrastructure	3%	5%	2%	5%
Money market	11%	0%	5%	0%

[1] May not add to 100% due to rounding.
[2] Revised December 2009.

The Investment Committee monitors closely the level of risk within the portfolio. Chart I shows risk and return comparing the Council's asset mix four years ago with its asset mix as at March 31, 2010. The horizontal axis represents the level of risk, and the vertical axis represents the return. At March 31, 2006, the portfolio did not have the same level of diversification that it has today and the chart shows that the level of risk has declined with the increased diversification of the portfolio and that that risk is at the same level as the benchmark.

Chart I: Risk Return Analysis

Four years ending March 31, 2010 and four years ending March 31, 2006



- Total Fund (4 years ending March 31, 2010)
- Benchmark (4 years ending March 31, 2010)
- Total Fund (4 years ending March 31, 2006)
- Benchmark (4 years ending March 31, 2006)

Chart reproduced with the permission of Hewitt Associates

During the year, the Council realized net capital losses of $4.9 million from the sale of a portion of its investment portfolio. In order to reduce the risk of currency exposure in the portfolio, the Council tries to minimize the impact of changes in currency by hedging the non-Canadian portion of the portfolio, excluding emerging markets. (On April 1, 2010 the Council switched from a 50% passive hedging to a dynamic strategic hedging approach whereby the hedging by currency may range between 30% and 70% at a given point in time). During the year, this program resulted in a net currency gain of $12.6 million as the Canadian dollar appreciated, mainly against the U.S. dollar.

Works of art and musical instruments appear on the Council's balance sheet at a value of $20.7 million as at March 31, 2010, a net increase of $545 thousand over the previous year. During the year, the Canada Council Art Bank acquired new works at a cost of $596 thousand and disposed of works costing $51 thousand. The Art Bank has the largest collection of contemporary Canadian art in Canada, with about 17,500 works, and rents works of art to interested public and private sector organizations. The Art Bank is allowed to reinvest any surplus from its operations in the acquisition of new works of art. The Council's Musical Instrument Bank owns or manages 15 historically important, fine stringed instruments and a fine cello bow, which are loaned to gifted young musicians for three year terms.

Other capital assets include office equipment and leasehold improvements, which decreased by $420 thousand over the course of the year, reflecting that amortization of existing assets more than offset acquisitions (other than works of art and musical instruments).

Liabilities

As at March 31, 2010, the combined balance of current liabilities was $29.5 million, a decrease of $4.3 million over the previous year. Current liabilities are those liabilities that in the normal course of operations are expected to be paid within the next year and which have been included in the Council's expenses for 2009-10. They include grants payable; accounts payable and accrued liabilities; derivatives; and deferred parliamentary appropriations. The major changes occurred in grants payable, which decreased $3.9 million in comparison to the prior year due.

Other liabilities include deferred revenues, which pertain to Art Bank rental fees received in advance of their due date; the unamortized portion of the lease inducement received from the Council's landlord; and employee future benefits, which represent the severance entitlements of the Council's employees and typically increase with each additional year of service.

Equity

Equity consists of the following elements as at March 31:

(in thousands of dollars)	2010	2009
Equity		
Contributed surplus	$ 50,000	$ 50,000
Retained earnings	12,715	13,317
Accumulated other comprehensive income	11,301	(24,847)
Reserve from the capitalization of investment income	166,745	166,745
Reserve for investment in works of art and musical instruments	20,710	20,165
	$ 261,471	$ 225,380

The contributed surplus of $50 million represents the original contribution by the government of an endowment when the Council was established in 1957.

Retained earnings in the amount of $12.7 million include unspent grant budgets of previous years that are carried forward for a known future use and a balance of uncommitted funds to allow for the smooth operation of the Council.

Accumulated other comprehensive income (AOCI) consists of two items: available-for-sale financial assets and contributions from non-owners. Available-for-sale financial assets include the unrealized gain or loss on the fair value of the Council's financial assets at March 31 and the reclassification to operations of any gains or losses on disposal or impairment of investments previously recognized in this component of AOCI. The contributions from non-owners consist of contributions received by way of donation or bequest that have been restricted for specific purposes by the donors; any income attributed to non-owner contributions that was not required during the year for the stated purposes of the contribution; the proportionate share of the unrealized gain or loss resulting from the fair value measurement of the Council's investments at March 31; and the reclassification to operations of any gains or losses on disposal of investments previously recognized in this component of AOCI.

The reserve from the capitalization of investment income was unchanged during the year as, while investment income was below the budgeted

amount, the Council was able to conduct its activities without requiring drawdown from the reserve. The Council's policy is that, in years when investment income exceeds the amount of net budgeted investment income, an amount may be transferred from the retained earnings to the reserve from the capitalization of investment income, and, in years when investment income is less than the amount of net budgeted investment income, an amount may be transferred to the retained earnings from the reserve from the capitalization of investment income. The total of $166.7 million at March 31, 2010 represents the sum of excess investment income since the establishment of the Council. The balance of the equity account is the recognition as a reserve of an amount which equals the cost of its works of art and musical instruments. This recognizes that the ownership of works of art and musical instruments provides physical, rather than financial, capital to the Council.

Statement of Operations

Summary Statement of Operations for the years ending March 31

(in thousands of dollars)	Actual 2010	Budget 2010	Actual 2009
Revenue			
Parliamentary appropriation	183,122	180,782	182,242
Net investment income	7,825	12,953	5,398
Net Art Bank revenue	404	30	395
Other	2,855	1,990	2,457
	194,206	**195,755**	**190,492**
Expenses			
Programs	176,628	177,440	176,042
Canadian Commission for UNESCO	2,005	2,264	2,521
General Administration	15,592	15,950	14,349
	194,225	**195,654**	**192,912**
Net results for the year	**$ (19)**	**$ 101**	**$ (2,420)**

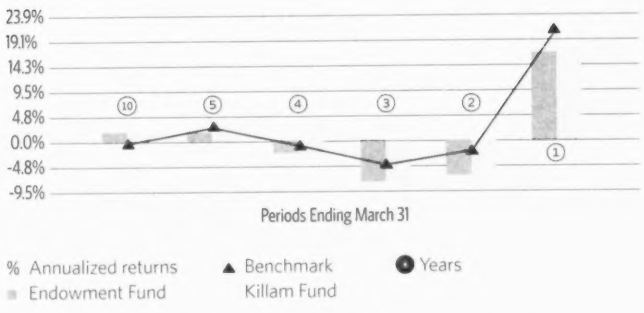
The Council receives an annual appropriation from Parliament. For the year ended March 31, 2010, this amount was $183.1 million, $0.9 million higher than in 2008-09.

The financial markets in which the Council invests are quite diversified and, in 2009-10, the Endowment and Special Funds and the Killam Funds had positive one-year returns of 14.8% (negative 23.0% in 2008-09) and 15.2% (negative 23.2% in 2008-09) respectively. The portfolios were positively affected by the overall improvement in the world equity markets, a general increase in market confidence globally and appreciation in the Canadian dollar.

The improved returns resulted in recognized net investment income of $7.8 million, which was $2.4 million greater than 2008-09 but $5.2 million less than budget. Net gains on foreign currency forward contracts increased by $18.1 million over the previous year to $12.6 million and were attributable to a significant appreciation in the Canadian dollar. These gains represented the largest portion of investment income for the year. Interest and dividends provided $6.9 million of investment income for the year, a decrease of $3.9 million over 2008-09 reflecting continued low interest rates and the general need for enterprises to retain capital rather than pay dividends. Net realized losses on disposal of investments were $4.9 million compared to $977 thousand in the previous year. These losses resulted largely from the disposal of equities in the process of rebalancing the portfolio to the new asset mix. In addition during the year, the Council recognized a $6.5 million impairment in its interest in a US real estate pooled fund, as the loss in value was considered other than temporary.

Chart II shows the annualized portfolio returns for the last ten years of the Endowment and Special Funds and the Killam Funds against the benchmark return. It shows the impact of the 2008-09 economic downturn and the subsequent recovery and reflects the experience of most other institutions.

Chart II: Annualized Portfolio Returns



The Council's investment policy prescribes that cash can be withdrawn from the portfolio at a rate of up to 4.5% of the previous three-year average market value, using balances at September 30. Chart III shows the annual portfolio returns for the Council in each year since 2001 and the corresponding effect those returns have had on the year-end market value. Chart III also demonstrates how the investment market returns can fluctuate year over year. The Council reinvests excess investment income above the budgeted amount in order to ensure the continued growth of the fund. This reinvestment is also intended to bring the value of the portfolio closer to what the original endowment amount from 1957 would be if expressed in today's dollars. This proactive approach helps bring additional stability and long-term growth for the Council. In years where investment income is not as favourable as expected, the Board may approve the use of previous years' capitalized income that is represented by the reserve from the capitalization of investment income, a component of equity on the balance sheet.

Chart III: Annual Portfolio Returns

Net Art Bank revenue of $404 thousand is $374 thousand higher than anticipated for the year and only $9 thousand above last year's reported figure of $395 thousand. This net return reflected the ability to maintain the increased rental of works of art attained in the prior year.

Other revenue includes the cancellation of grants awarded in previous years, boardroom rental fees, donations, tax rebates and others. These revenues can fluctuate from year to year; they increased by $398 thousand in 2009-10.

Program expenses for the years ending March 31 include the following three components:

(in thousands of dollars)	Actual 2010	Budget 2010	Actual 2009
Grants	158,390	156,692	158,186
Administration	12,512	13,736	12,452
Services	5,726	7,012	5,404
	176,628	**177,440**	**176,042**

In 2009-10, program expenses accounted for over 91% of Council's total expenses of $194.2 million, about the same percentage as in 2008-09 (91%). Program expenses were $586 thousand above the previous year but $812 thousand less than budget. Grants to artists and arts organizations represented about 90% of the total program expenses; they increased by $204 thousand this year. Services include other types of support provided to the arts community, such as expenses related to workshops, adjudication of programs, program evaluation, researches and advisory committees. Program administration costs represent the direct cost of operating the Council's programs. These include salaries, benefits, travel and professional services, and they increased $60 thousand over 2008-09. Council will continue to exercise this fiscal restraint in future, notably the next three fiscal years.

The Canadian Commission for UNESCO (CCU) operates under the aegis of the Canada Council. The CCU spent $2,005 thousand in 2009-10, a decrease of $516 thousand from 2008-09 and $259 thousand under budget. The decrease was due mainly to a one-time contribution of $500 thousand on behalf of the Government of Canada to the UNESCO International Fund for Cultural Diversity received in the prior year. The CCU co-ordinates UNESCO program activities in Canada; encourages Canadian participation in UNESCO activities abroad, including the provision of expert advice and assistance from both governmental and non-governmental organizations; and provides advice about future UNESCO programs and budgets to the Department of Foreign Affairs and International Trade. The CCU also initiates activities in Canada to advance and obtain visibility for UNESCO's program objectives.

General administration expenses include the cost of Council Secretariat, Communications and Corporate Services (which includes Finance, Human Resources and Information Management). Items include salaries, benefits, travel, professional services, amortization, accommodation and others. These costs were $1,243 thousand higher than those reported in 2008-09, and were $358 thousand under budget. The increase was due principally to the annualization of staffing and service improvement introduced in the prior year which was the first year of the current three-year corporate plan.

Accounting Changes

In December 2009, the Public Sector Accounting Board (PSAB) amended the Introduction to Public Sector Accounting Standards. The introduction identifies the characteristics of various types of organizations, and, depending on the type of organization, determines the accounting standards that should be followed. The Council is awaiting the results of two Exposure Drafts, *Financial Instruments (September 2009)* and *Financial Reporting by Government Not-for-Profit Organizations (March 2010)* which may have significant impact on the presentation of the Council's financial statements. Therefore, Council continues to assess the public sector accounting classification of government organizations and the accounting standards to be applied.

During the year, the Council adopted the changes made by the Canadian Institute of Chartered Accountants (CICA) to Section 3862 of Part V of the CICA Handbook, *Financial Instruments – Disclosures*, to enhance disclosures about fair value measurements and about the liquidity risk of financial instruments and Section 3064 – *Goodwill and Intangible Assets*.

All across Canada, artists inspire us.

They make us laugh, dance, cry, reflect.
They enrich and nourish us.

We are proud to highlight
a few of their achievements.
Art for the young, and the young at heart...
Works that bring us together.
Community impact with a global reach.

Ex Machina

First presented in 2008 during Quebec City's 400th anniversary celebrations, *The Image Mill* by Robert Lepage and Ex Machina drew more than 600,000 spectators and earned a Guinness World Record™ for the world's largest projection. Due to the success of this impressive account of Quebec City's history, it was extended for an additional five years. Recently, Lepage, whose name has been synonymous with success ever since *The Dragon's Trilogy*, was invited by the Metropolitan Opera of New York to direct its production of Wagner's *Ring Cycle* for the 2010-2011 season. These accomplishments are a testament to the high level of recognition enjoyed by Lepage's company, and the genius of a prolific artist who will be surprising us for years to come.

Photo: Francis Vachon

Tafelmusik Baroque Orchestra

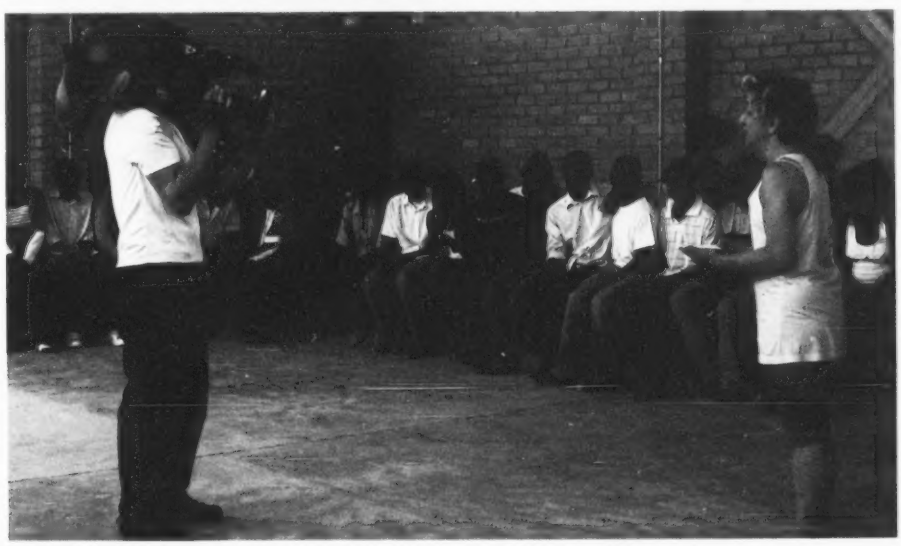
In 2009, Tafelmusik reached for the stars. The renowned Toronto-based baroque orchestra co-produced *Galileo Project: Music of the Spheres* with Alberta's Banff Centre for the Arts to celebrate the 400th anniversary of Galileo's astronomical telescope. The internationally acclaimed multimedia program explores music's power to stimulate and transform our understanding of the universe. In April 2009, the International Astronomical Union named an asteroid after Tafelmusik. 2009 was also the year Tafelmusik made its debut at New York's Carnegie Hall.

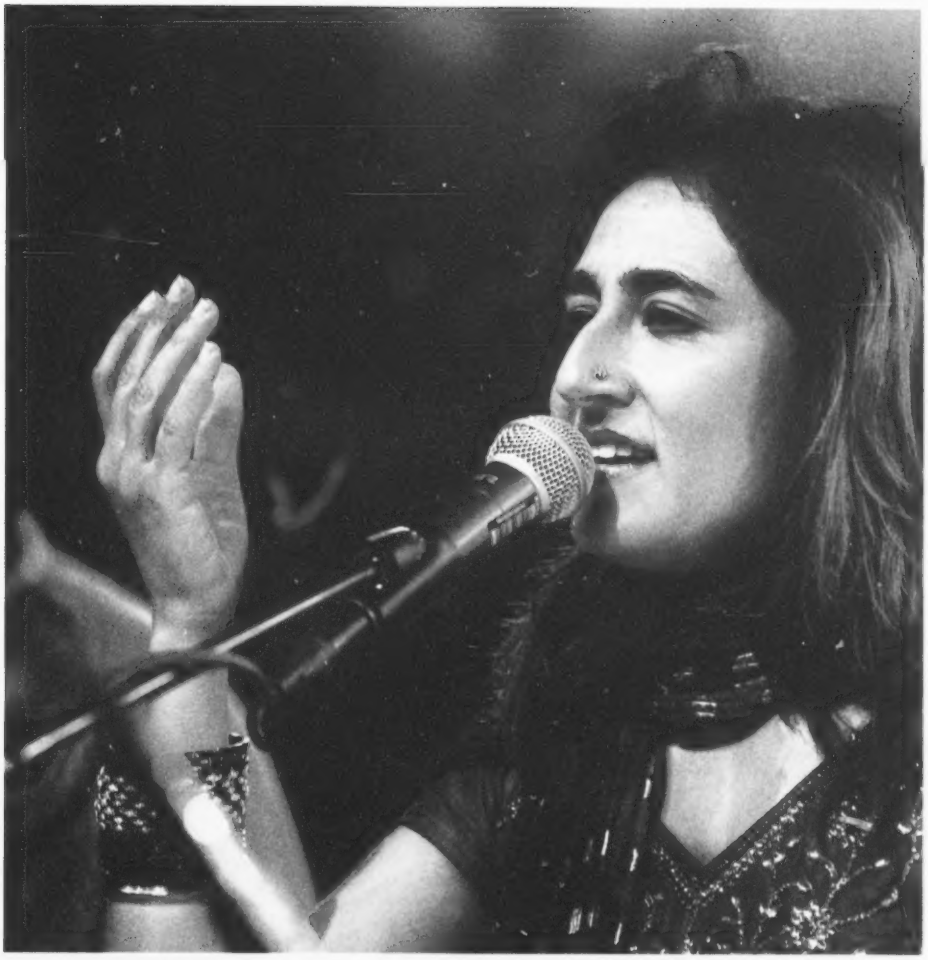
Photo: Cylla von Tiedemann

Dulcinea Langfelder & Co.

For 25 years, Dulcinea Langfelder & Co. has worked to make the world a better place through its thought-provoking and entertaining performances. The Montreal company will celebrate its anniversary in fall 2010 with a revival of *Victoria*, a dance-theatre production that takes a tender and humorous look at aging. *Victoria* has toured the world, and in spring 2009, was a hit with audiences at the Harare International Festival of the Arts. In keeping with its mandate, the company took advantage of its stop in Zimbabwe to offer workshops in artistic expression for local youth.

Photos: Cylla von Tiedemann and Erik Lapierre





World Music Expo (WOMEX)

Canadian musicians are increasingly taking their place on the international world music stage. Impressive talent and a rich diversity of musical heritage are the primary reasons for their success. But smart networking also plays a role. This year, Canadian musicians, music agents and managers once again took the opportunity to attend the World Music Expo (WOMEX) in Copenhagen, Denmark.

The Canada Council, Folquébec and CINARS co-organized a collective booth, ensuring a stronger Canadian presence at this important event. Shown here: The Kiran Ahluwalia Ensemble, renowned for its ghazals and Punjabi folk songs, was featured in a showcase event at WOMEX.

Photo: Jeremy Llewellyn-Jones

MAI

The MAI (Montréal, arts interculturels) is a crossroads where art forms and cultures meet, merge and branch out into exciting new directions. In the 11 years since its creation, hundreds of artists have come together at the MAI to experiment, reflect, create, present and exchange. A perfect example: *Poésic*. This album, at the edge of poetry, music and slam poetry, features the lyrics and vocals of Fabrice Koffy and the jazzy instrumentals of Guillaume Soucy. It was created when Koffy was a resident artist at Le MAI and was presented at the centre in January 2010. One of Koffy's pieces, *Folie en 3D*, was given new dimension at this performance by dancer Gamaliel Martinez Fonseca, known for his unique blend of breakdancing, African, modern and Afro-Brazilian dance.

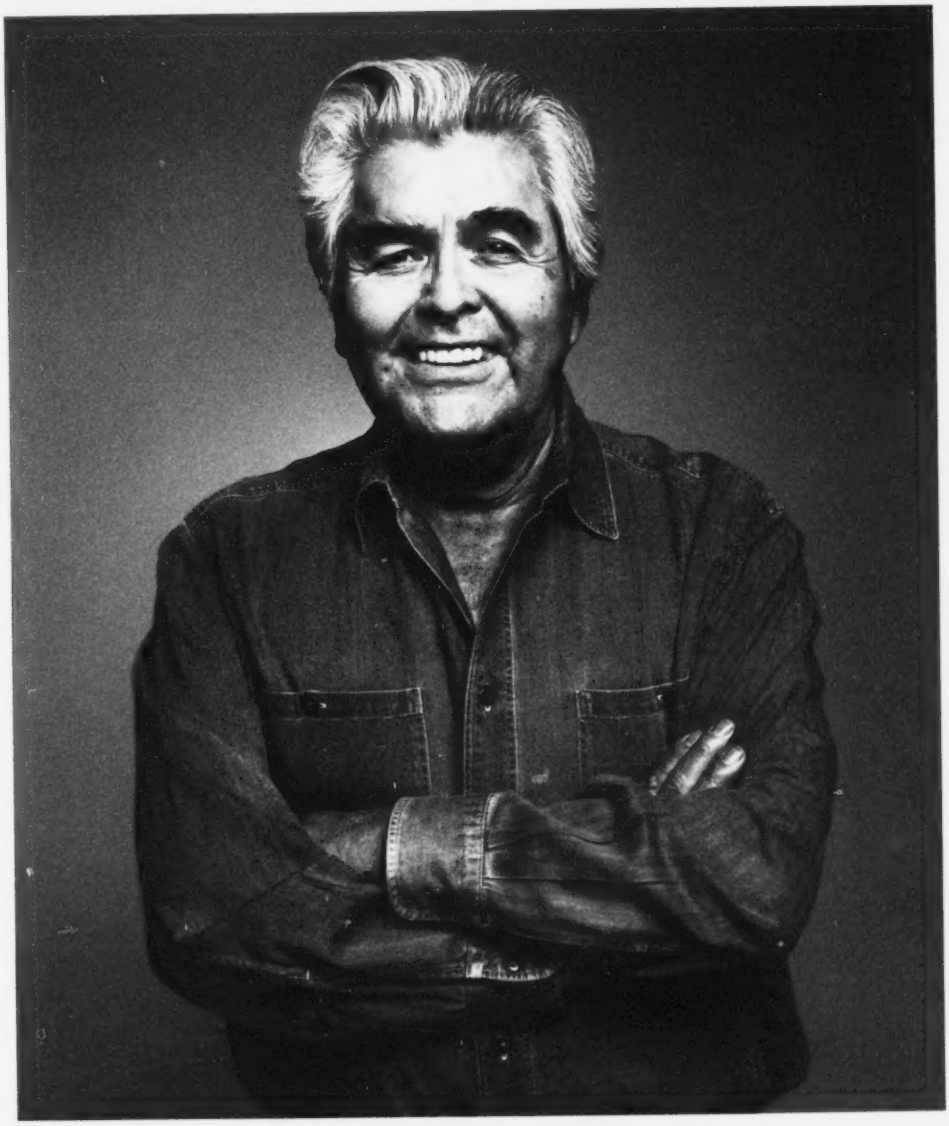
Photo: Ulysse L. B.

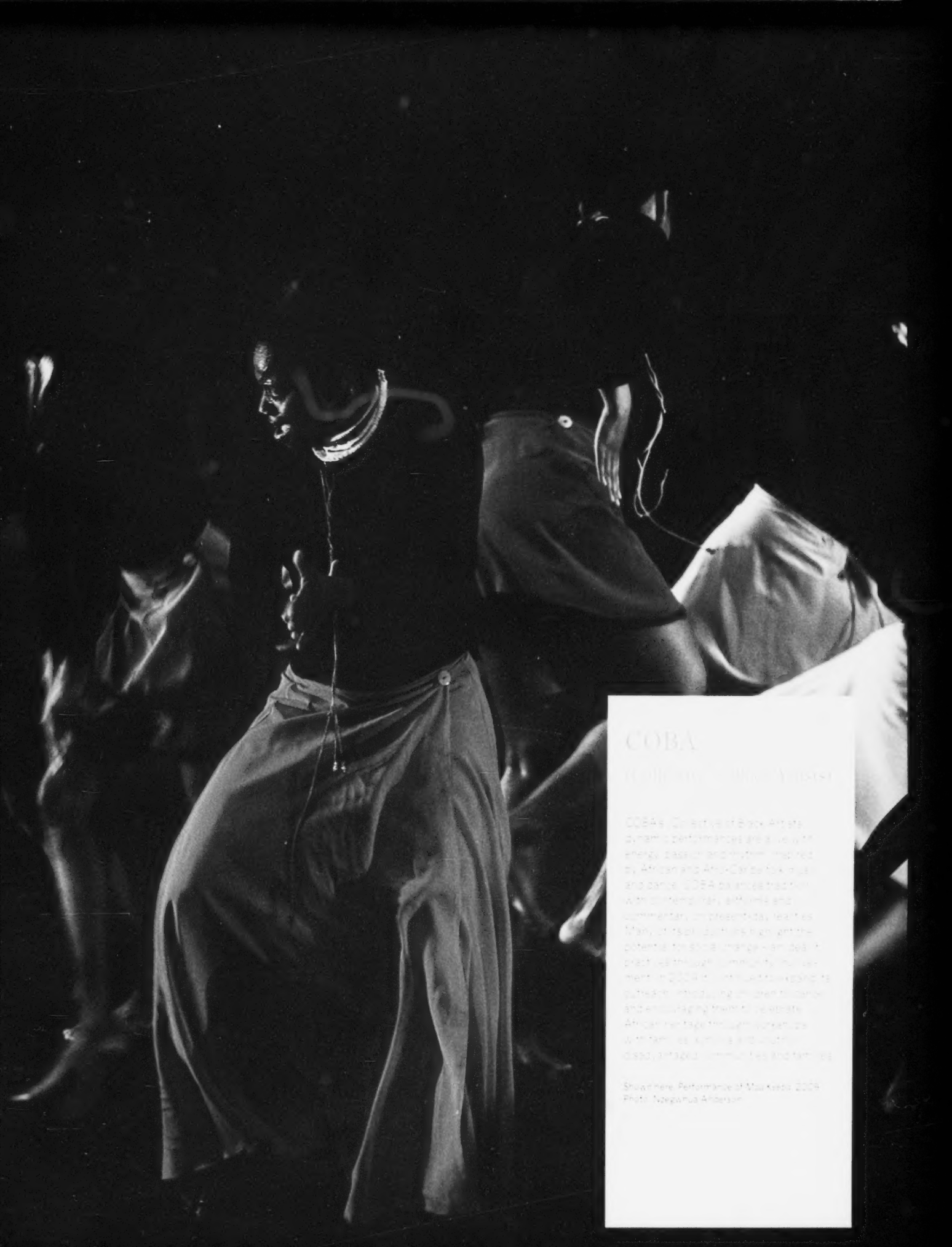
Robert Davidson

"The role of the artist, I feel, is a historian," says Robert Davidson in a video interview produced by the Canada Council when he won a 2010 Governor General's Award in Visual and Media Arts. A key figure in the renaissance of Haida art, Davidson is deeply committed to mentoring younger artists and sharing the history of his people's artforms. Last year, for example, he hosted a Haida design workshop for youth in his home village on Haida Gwaii and worked with apprentice carvers in his studio in White Rock, BC.

Photos: Martin Lipman

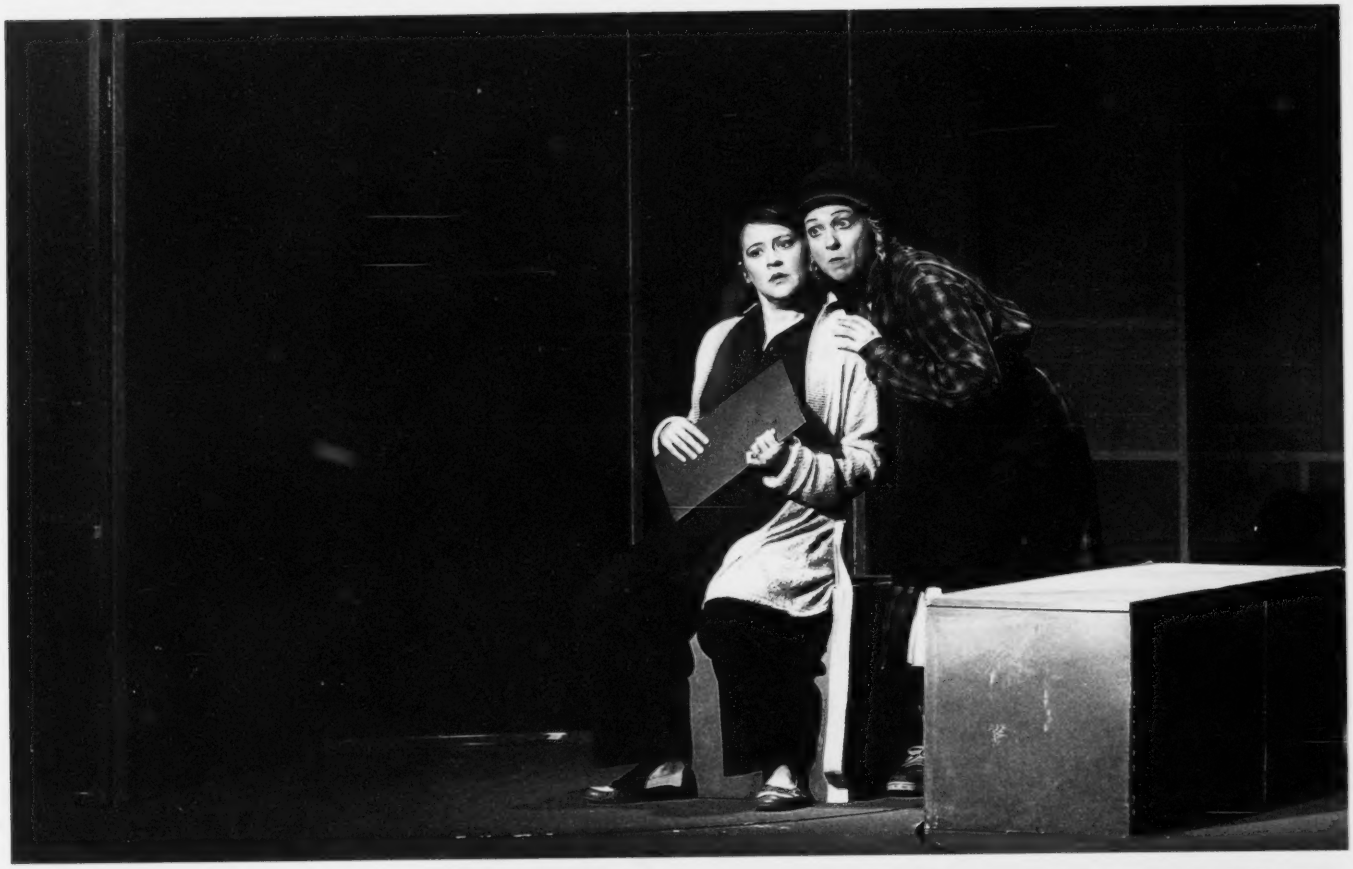
www.canadacouncil.ca





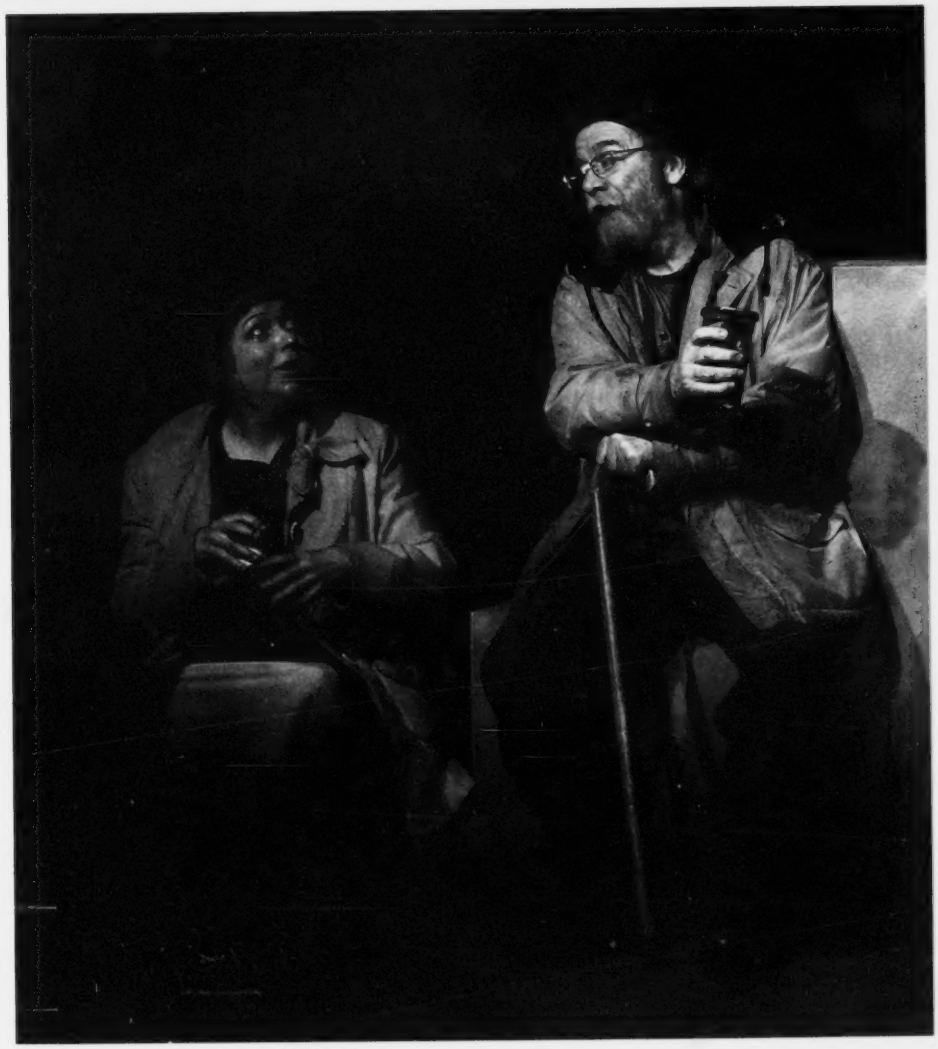
COBA

Shoot Here: Performance at Wax Asylum 2008
Photo: Margarita Anderson



Théâtre populaire d'Acadie

How far can our fear of differences lead us? *L'Oiseau matinal* (*The Morning Bird*) asks this question by opposing a life of opulence with one of abject poverty. The play by Colleen Wagner (winner of a 1996 Governor General's Literary Award for *The Monument*) was translated by Maurice Arsenault, artistic director of Théâtre populaire d'Acadie, and presented throughout New Brunswick. *L'Oiseau matinal* is part of a series of translations of English-Canadian plays that the Théâtre plans to present over the coming years. Founded in 1974, the Théâtre is the oldest French-language theatre company in New Brunswick. While it gives Acadian theatre centre stage, it also produces a wide range of plays that have toured throughout Canada and in France and Belgium.



Shown here: Karène Chiasson, Claire Normand and Albert Belzile. Photos: Maurice Arsenault

Firefly Theatre and Circus Society

The Canada Council officially recognized contemporary circus arts as an artform in 2009. However artists and arts organizations practicing this artform had already been receiving Council funding. That's the case with Firefly Theatre and Circus Society, founded by acrobat Annie Dugan and actor John Ullyatt. Firefly creates unique, accessible performances that combine circus and theatre. Although it stages major productions in performance halls, the Edmonton company is also known for its works in public spaces, such as a fountain (Humon Fountain), street intersections (Crosswalk Theatre) or along the walls of a building (21st Century Gargoyles). The company also offers aerial skill classes and workshops in aerial theatre to community members from ages 10 to 65. Shown here: Operation Evasion, a multimedia show with aerial acrobatics, theatre and tango, that looks at the fascinating story of Argentina's most celebrated politician – Eva Perón, known as Evita, and played by Annie Dugan.

Photo: Chai Foux-Proctor Photography

The Only Animal Theatre

Melting ice and snow may have dogged the 2010 Olympic sporting events, but the icy set of NIX held firm. This production by Vancouver's The Only Animal Theatre has been described by the *Calgary Herald* as "part Cirque du Soleil, part Beckett and part freezer epic." A sparkling highlight of the 2010 Cultural Olympiad, NIX's success was due in part to a full-scale workshop of the production that helped to fine tune the performance and test drive the technical complications of a stage carved of snow and ice. The workshop was funded through Art Partners in Creative Development, a partnership of the following: Province of B.C., Canada Council, City of Vancouver, Vancouver Foundation, Vancouver Organizing Committee for the 2010 Olympic and Paralympic Games and 2010 Legacies Now.

Shown here: Lucia Frangione in *NIX*, written and directed by Kendra Fanconi. Photo: Trudie Lee Photography.

La La La Human Steps

Édouard Lock founded dance company La La La Human Steps in 1980, following a series of performances at the little Eskabel Theatre in the Saint-Henri neighbourhood in Montreal. Thirty years later, it continues to have a phenomenal influence on the dance world. The Paris Opera, Nederlands Dans Theater, David Bowie and Frank Zappa have all collaborated with Lock. This renowned choreographer invented his own avant-garde choreographic language by combining lyrical dance with movements of an extreme physicality – who can ever forget the frenetically terrifying leaps of the dazzling Louise Lecavalier?! In 2010, Lock received a Molson Prize and a Governor General's Performing Arts Award in recognition of an exceptional artistic career that shows no sign of slowing down.

Shown here: Jason Shipley-Holmes and Talia Evtushenko in *Amjad*. Photo: Édouard Lock

New West Theatre

Lethbridge, Alberta's New West Theatre celebrated its 10th anniversary in 2004 in the way it's known best – it presented a high-energy musical revue with a cast that is familiar and well-loved by its ever-growing audiences. *Celebration!* was one of several original productions by the theatre company in 2004. New West is a first-time recipient of the Alberta Creative Development Initiative, a partnership established in 2007 between the Canada Council and the Alberta Foundation for the Arts, in partnership with Calgary Arts Development and the Edmonton Arts Council. We can look forward to more exciting projects from Alberta as the partnership has been renewed for 2010-11.

Photo: Mark Orenstein, Déjourdans Photographics

DIASPORArt

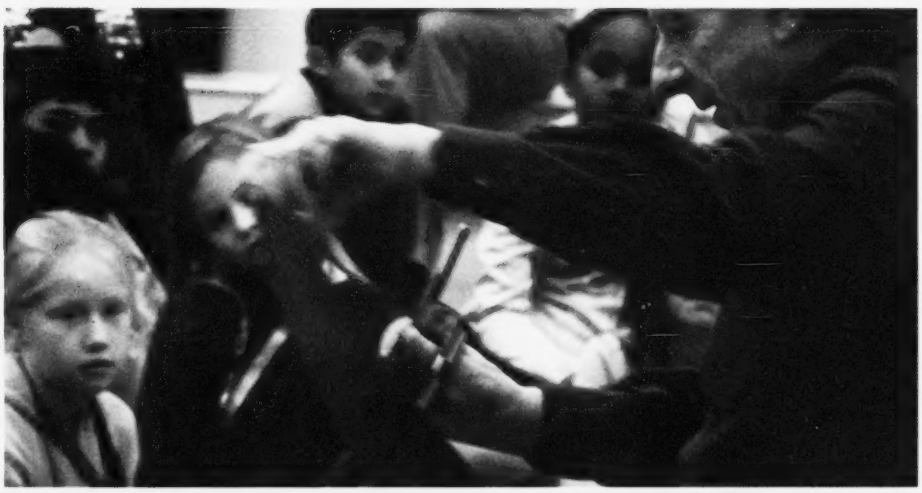
In 2009, the Canada Council Art Bank acquired 55 works by Canadian artists from diverse cultural communities. Rideau Hall, the residence of the Governor General, in partnership with the Art Bank and the Council's Equity Office, is exhibiting 18 of these remarkable artworks until September 2010. The exhibition, *DIASPORArt*, is a window onto the intermingling of cultures in Canada. Through their works, the artists of African, Asian, Middle Eastern or Latin American origin compare their cultural heritage with Western society and its values, while exploring current trends in the visual arts.

Fabian Jean, *A New World*, 2008, oil on canvas. Photo courtesy of the artist.

Canadian Crafts Federation

Canada was the guest of honour at the 2009 Cheongju International Craft Biennale in South Korea. Over 200 ceramic, glass, wood and textile artists from across the country represented Canada at the prestigious event. The Canadian Crafts Federation, based in Fredericton, N.B., organized the exhibition of works, *Unity and Diversity*. Some 70 works from the exhibition then travelled to the Museum of Vancouver to be shown as part of the 2010 Cultural Olympiad. Shown here: *Celebration Box*, birdseye maple/walnut, by Diane Gaudreau, South Rustico, P.E.I.

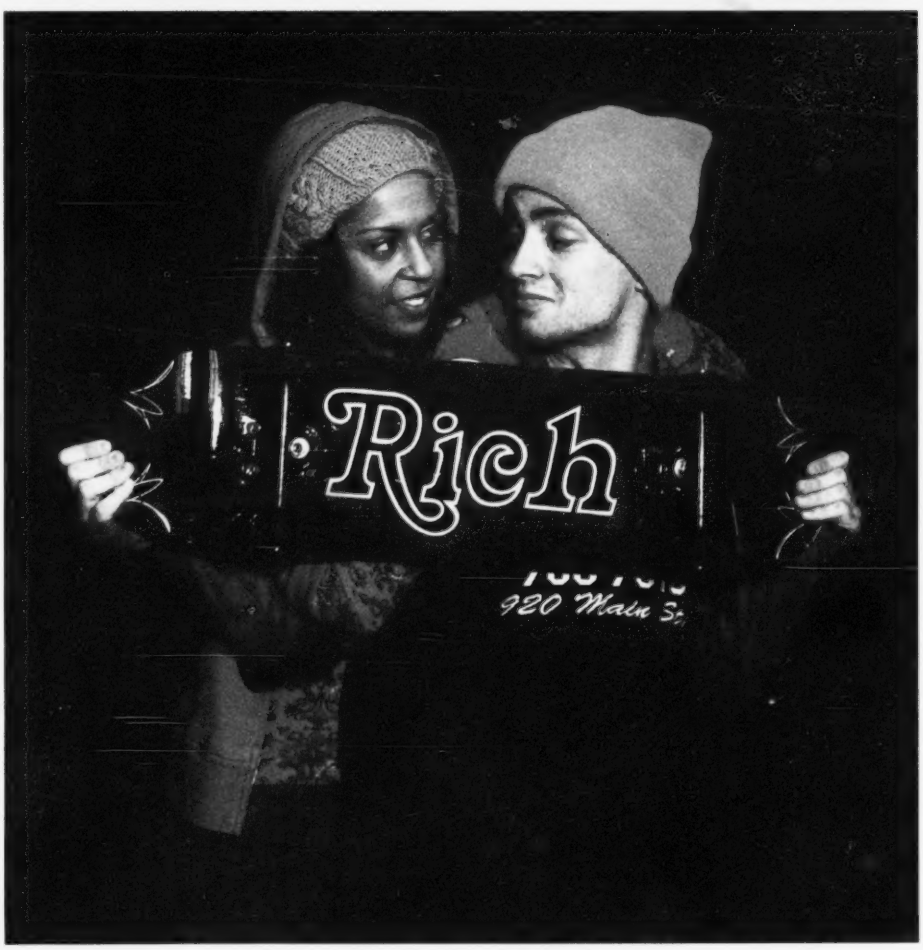
Photo: Henry Dunsmore



Robert Minden Duo

"Some of the coolest sounds you'll ever see!" This quote from a music teacher describes the unique performances of the Robert Minden Duo, based in Vancouver and comprised of Robert Minden and Carla Hallett. Last fall, the duo presented three productions in Ontario schools and universities: the well-known *Lost Sound, Found Sound*, the brand-new *Hidden Elephant* and *Like Light Off Water* (with poet Daphne Marlatt). The duo's concerts are often accompanied by storytelling and workshops that allow students to experiment with unlikely instruments: a musical saw, a toy piano or other everyday objects. With this duo, the possibilities are endless!

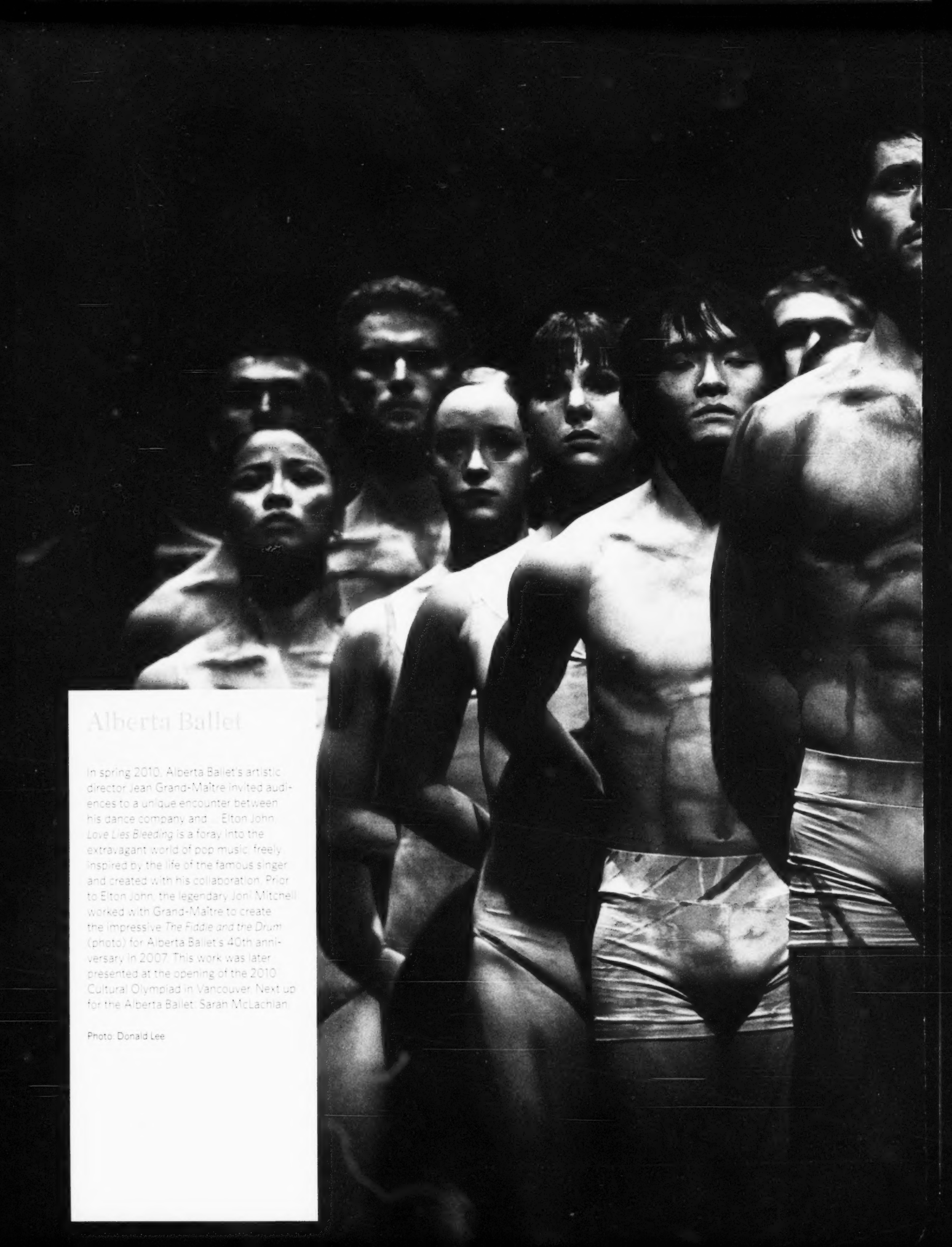
Photos: Nancy Walker



Manitoba Theatre for Young People

In spring 2009, tens of thousands of high school students from Saskatoon, Winnipeg and several communities in northern Manitoba experienced *RICH*, a musical featuring hip hop, breakdance, skateboarding... and even energy drinks. Composed by Olaf Pyttlig and written by Vern Thiessen (winner of a 2003 Governor General's Literary Award for *Einstein's Gift*), *RICH* is the story of a teen who must choose between wealth and cool clothing, and friendship and self-respect. This modern take on the Faustian legend of selling one's soul to the devil was a hit with its young audience, who identified strongly with the story. Manitoba Theatre for Young People has been presenting theatre for general audiences since 1982.

Shown here: Kimberley Rampersad and Scott Shpeley. Photo: Hubert Pantel



Alberta Ballet

In spring 2010, Alberta Ballet's artistic director Jean Grand-Maître invited audiences to a unique encounter between his dance company and ... Elton John. *Love Lies Bleeding* is a foray into the extravagant world of pop music, freely inspired by the life of the famous singer and created with his collaboration. Prior to Elton John, the legendary Joni Mitchell worked with Grand-Maître to create the impressive *The Fiddle and the Drum* (photo) for Alberta Ballet's 40th anniversary, in 2007. This work was later presented at the opening of the 2010 Cultural Olympiad in Vancouver. Next up for the Alberta Ballet: Sarah McLachlan.

Photo: Donald Lee

Paralympic School Week

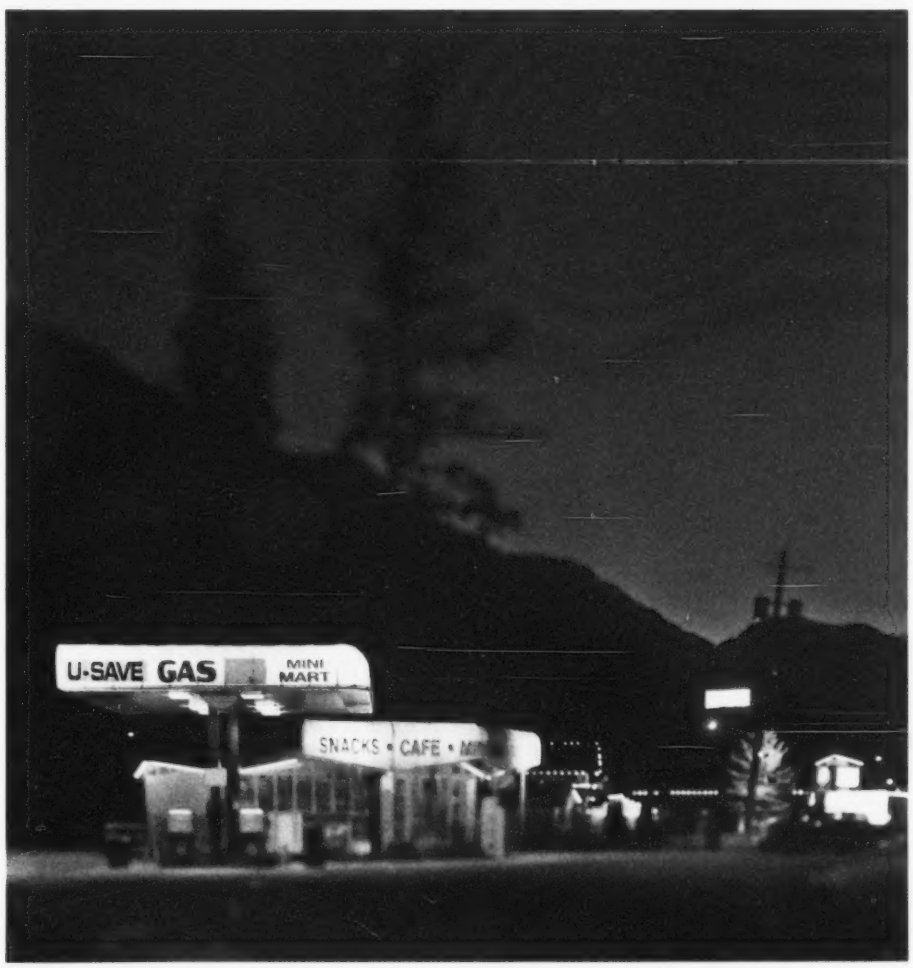
School children across the country cheered on Canada's athletes in the 2010 Paralympic Games. In doing so, they learned about inclusion, resisting stereotypes and meeting challenges. Through the Paralympic School Week initiative and an accompanying educators' guide, hundreds of schools hosted paralympians as motivational speakers, planned mini-paralympic games, or organized creative activities and fundraisers. The Canadian Commission for UNESCO, which operates under the aegis of the Canada Council, endorsed Paralympic School Week, presented by the British Columbia Ministry of Education, the Vancouver Olympic Committee and the Canadian Paralympic Committee.

Shown here: Students at Carisbrooke Elementary School in North Vancouver, B.C. Photo: Kim Stallknecht

Contact Photography Festival

Need fuel for your morning commute? Every May, Toronto's 1.3 million subway commuters are treated to works by some of Canada's top photographers, displayed on screens in 50 subway stops. This initiative takes place as part of the Contact Photography Festival, a 14-year-old event that blankets Toronto in photography for a month every year. Museums, galleries, universities and public spaces all take part by hosting exhibitions, lectures and workshops. Works from Toni Hafkenscheid's series, Establishing Shots, were among the works exhibited by the Toronto Transit Commission (TTC) during the 2010 festival. A work from this series was also purchased in 2010 by the Canada Council Art Bank.

Toni Hafkenscheid, Gas Station, Hope, B.C., 2006



Avataq Cultural Institute

The ancient art of Inuit throat singing, or *katajjaq*, continues to resonate across the North, thanks in part to organizations like the Avataq Cultural Institute. In fall 2009, Avataq invited elders, mid-career and emerging singers from across the North to gather to Salluit, Quebec (Nunavik) for five days of singing and learning together. Just as a pair of throat singers alternate and echo each other's melodies to create many layers of sound, traditional and experimental throat singers exchanged and built on each other's knowledge. Tagralik Partridge, an international award-winning throat singer and spoken word artist was one of the organizers and participants of the event.

Shown here: Baker Lake elders Mary Anowtalik and Eva Mukjunik with Iqaluit throat singer Celina Kalluk. Photos: Michel Patry, courtesy of Avataq Cultural Institute

Clyde Fans

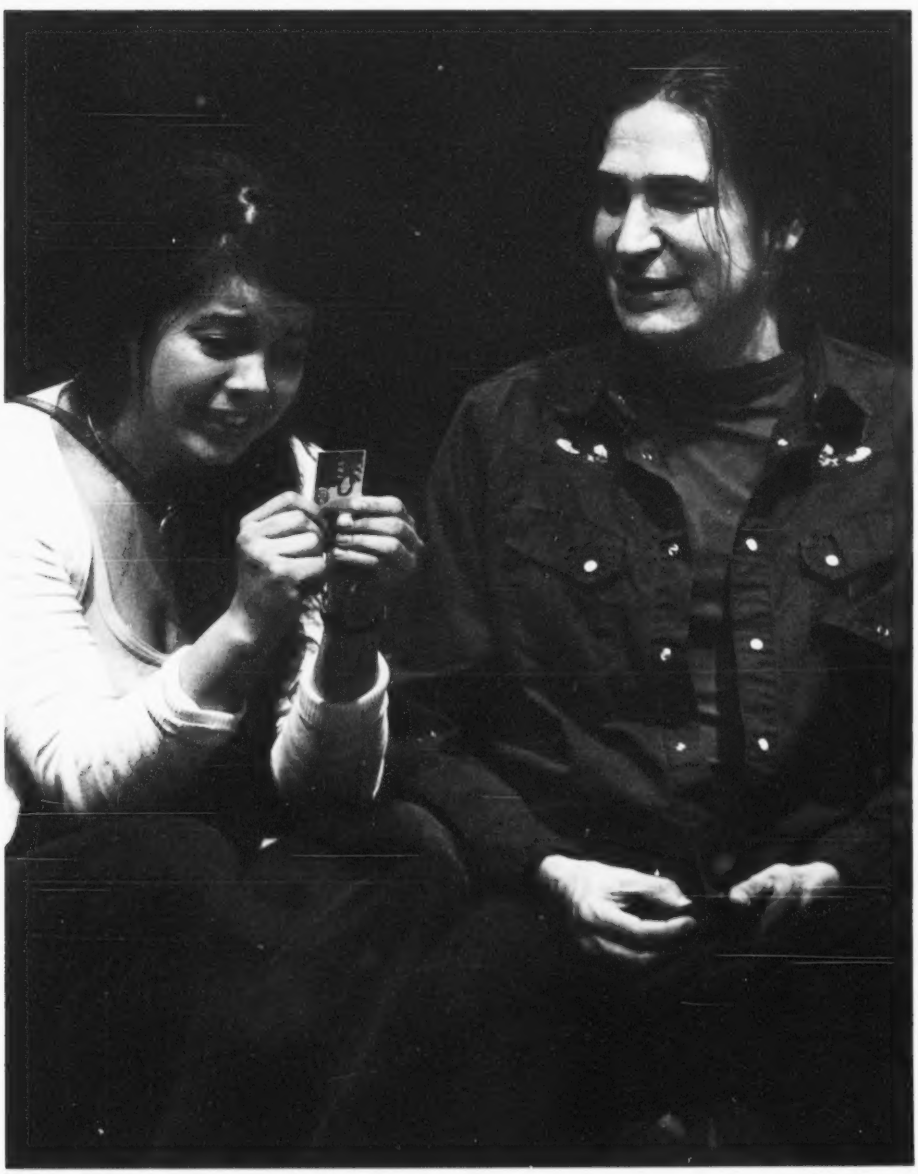
Two black-and-white photos of two businessmen hung on the wall of an out-of-business fan company showroom (Clyde Fans) in Toronto. This real-life scene led to the graphic novel *Clyde Fans* by Seth, published (Part 1) by Drawn and Quarterly in 2004. The talented comic book artist recreated the two businessmen as brothers Simon and Abraham Matchcard, and through their invented history, explored themes of loneliness, loss and our relationship with time. He is currently working on the conclusion of this brilliant and touching saga, and has just published *George Sprott 1894-1975*, which first appeared in *The New York Times Magazine*.

Sales
Facts and figures and fans and sales. That's what it all comes down to, I guess.
Simon and I, our lives didn't seem to have much of a plot. Perhaps all lives are like that -- just a series of events with little reasoning.
In the end, what kind of a pitch was it? Surely Simon failed to close. And myself?
"I had two pigeons, dull and grey."
"They flew away the other day."
"What was the reason they did go?"
CLYDE FANS
"I cannot tell, for I do not know."
"Mother taught me that I'm surprised I still recall it."

Kevin Loring

Set in a tiny B.C. village, Kevin Loring's drama about reconciliation and redemption has earned acclaim across Canada. *Where the Blood Mixes* is the story of a father's reunion with his adult daughter who was taken into care by social services as a child. The play opened on the day the Government of Canada officially apologized for the damage done by the residential school system to Aboriginals in Canada, and has been touring nationally ever since. Loring, an actor and playwright from the (Nlaka'pamux) First Nation in Lytton, B.C., won a 2009 Governor General's Award for Literature for the play. In February, it was showcased in Vancouver, as part of the 2010 Cultural Olympiad.

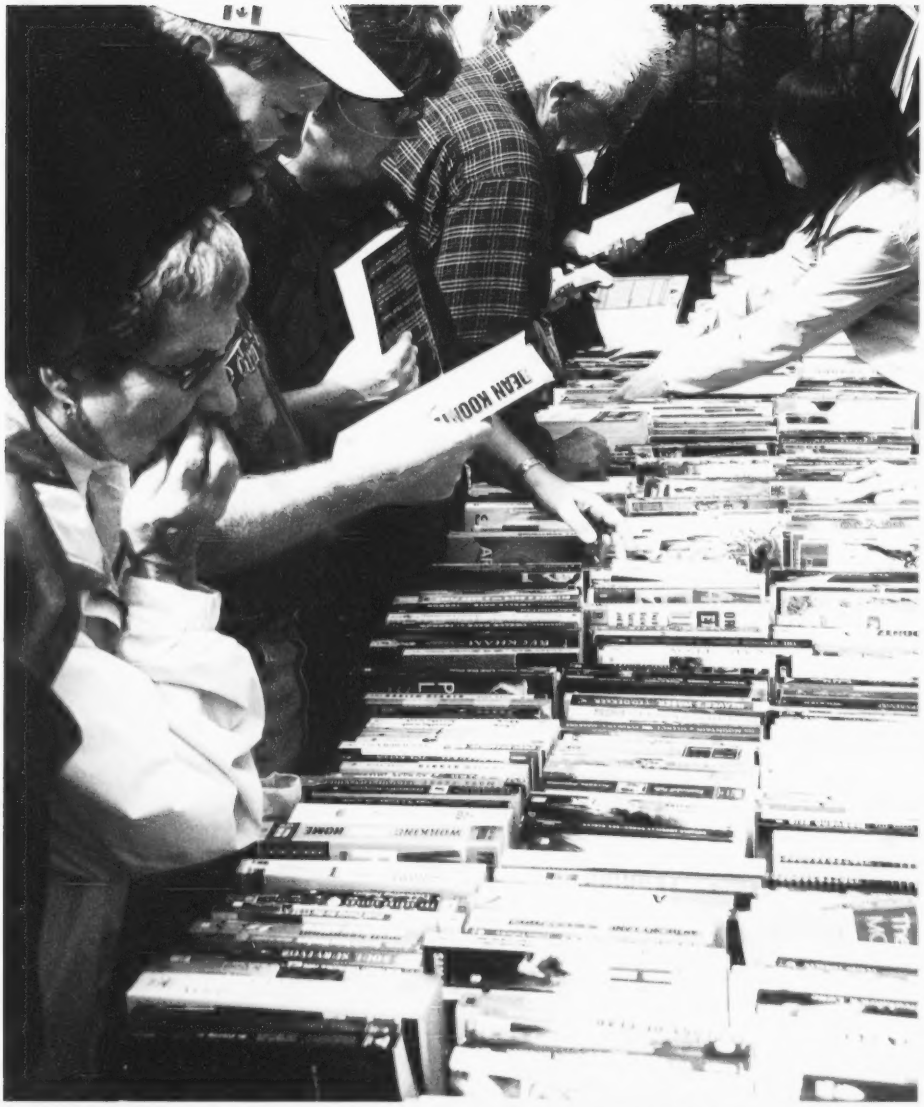
Shown here: Kim Harvey and Billy Merasty in *Where the Blood Mixes*. Photo: David Cooper

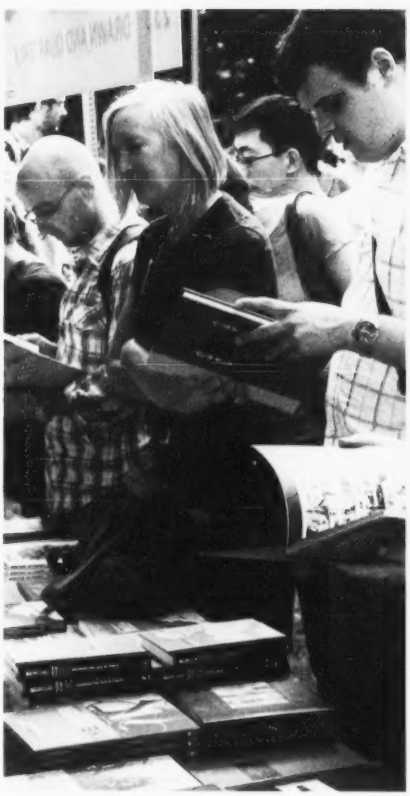


The Word on the Street

Each September, on the last Sunday of the month, the streets of Halifax, Kitchener, Toronto and Vancouver come alive with words. Thanks to The Word On The Street festival, citizens spend hours browsing in the sun, participating in creative workshops and attending readings by Canadian authors. They also take advantage of the opportunity to buy the latest releases: poetry collections, detective novels, children's books, how-to guides and magazines. Last year, 275,000 Canadians took part in the event. The 2010 edition promises to be just as popular, with Saskatoon signing on to stage its own The Word On The Street.

Photos: John Izatt (right), Rich Freedman (below), Tom Sandler (below, right)





Gros Morne Summer Music

If you travel to the west coast of Newfoundland over the summer, you'll see dancers walking on water, professional musicians playing alongside amateurs, and spectators taking part in interdisciplinary performances. Breaking down walls between the public, artists and the environment is standard practice at Gros Morne Summer Music. This five-week festival, which has been taking place in rural Newfoundland communities for the past seven years, is based on the conviction that quality art leads to healthy communities and helps us ponder the bigger questions in society. This year, the festival's program includes *The Same River Twice*, an allegory on the relationship between man and his environment.

Shown here: Min Zse Wu and Megan Casper.
Photo: Nance Ackerman

ImagineNATIVE

Aboriginal artists are increasingly becoming the names to watch in Canada's film and media arts scene. Every year, their talent shines at the ImagineNATIVE Film and Media Arts Festival in Toronto. This 10-year-old festival attracts the world's best Aboriginal filmmakers and video artists to connect with programmers, buyers, and industry professionals. Among the award-winners of the 2009 festival is Cree filmmaker Archer Pechawis from the Mistawasis First Nation, Saskatchewan. Pechawis was recognized for his experimental work, *Horse*, a historical re-imagining of the West told with voice, drum, video and cello.

Archer Pechawis,
still from *Horse*, video (10 min), 2007

Nikki Chooi

Victoria native Nikki Chooi is one of the talented musicians giving new life to the magnificent instruments in the Canada Council's Musical Instrument Bank (MIB). At age 20, Chooi was the youngest winner of the 2009 MIB competition, and was awarded the loan of the 1729 Guarneri del Gesù violin, valued at $4-million. For the next three years, the violin will accompany him to major concert halls across Canada and abroad. In October 2009, Chooi played the theme from *Schindler's List* to a distinguished audience at National Constitution's Liberty Medal ceremonies in Philadelphia that included filmmaker Steven Spielberg and former president Bill Clinton.

Photo: Stephanie Lake

Une Québécoise

When Canadian astronauts Julie Payette and Robert Thirsk took off for outer space last summer, they brought along a couple of books – Airborn by Kenneth Oppel and *Deux pas vers les étoiles* by Jean-Rock Gaudreault (recent Governor General's Literary Awards winning books). The Canada Council contributed the books at the request of the Canadian Space Agency. Robert Thirsk wanted them in his cosmic flight kit in recognition of the fact that he is a descendent of Sir John Buchan, the Governor General who established the awards in 1936.

Photo courtesy of CSA, NASA

Responsible governance is key to efficiency, effectiveness and accountability, and vital in upholding the public trust.

Governance

Board Mandate

The Canada Council for the Arts is governed by a Board consisting of a Chair, Vice-Chair and nine other members from across Canada. Members are appointed by the Governor in Council for fixed terms. The Board meets at least three times a year and is responsible for the organization's policies, programs, budgets and grant decisions.

As stewards of the organization, the Board oversees the organization's governance. It conducts the Council's business, directs Management and ensures that all major issues affecting the Council are given proper consideration. The Board is accountable to Parliament through the Minister of Canadian Heritage.

The general duties of the Board include:

- establishing, approving and periodically reviewing the overall policies and programs of the Canada Council;
- approving the allocation of the budget between various disciplines, purposes and programs;
- monitoring the effectiveness of the programs and the integrity of the peer assessment system;
- authorizing the awarding of grants, either directly or through delegated authority; and
- representing the Council at public events or other activities and explaining the Council's role in supporting the arts to the arts community, to national, provincial and local leaders, and to the general public.

More detailed information on the Board's roles and responsibilities is available in the Canada Council's Governance Policy and the By-laws.

Highlights

In 2009-10, the Board:

- held three meetings in Ottawa and one meeting in Moncton, New Brunswick;
- held its second Annual Public Meeting in Moncton, New Brunswick;
- approved the revised Canada Council By-laws and the *Governance Policy*;
- approved the revised *Peer Assessment Policy*;
- approved the annual Financial Overview and Financial Statements;
- approved the risk-based internal audit plan;
- approved the annual Revenue, Grants, Services and Administration budget;
- reviewed the composition and membership of the Board committees;
- approved major program modifications and grants over $100,000; and
- reviewed the integrated risk management framework and the corporate risk profile.

Board Independence

All members of the Board are independent directors. This independence is fundamental to sound governance and effective accountability. While the Director/CEO and Executive Management attend Board meetings to provide information and report on activities, only members may vote and make decisions. Board committees are composed of Board members, with some committees expanded to include external experts selected for their knowledge and expertise.

Strategic and Corporate Planning

The Board is responsible for overseeing and approving the overall policies of the Council and formulating its strategic directions, developing and approving the Corporate Plan and assessing its implementation.

The Corporate Plan encompasses the Council's business and activities and establishes the organization's priorities, objectives, strategies, performance indicators and desired impact. The Council's current Corporate Plan was approved by the Board in October 2008, for the period 2008-09 to 2010-11. A summary is available at [illegible]

Management reports to the Board on how the Council is performing in relation to the objectives set out in the Corporate Plan and on the actual results achieved throughout the year. This regular monitoring of corporate performance assists the Board in its decision-making and provides a key accountability framework for the work of the organization.

The Council launched a new phase of strategic planning in January 2010, which will result in new strategic and corporate plans for the period 2011-2014. The strategic planning process, which will be carried out through 2010-11, will include consultations with staff, the Board and various stakeholders, and will involve extensive reporting on the implementation and results of the 2008-11 Strategic Plan.

Risk Management

The Board identifies and assesses on a regular basis the principal risks inherent in the Council's activities and its external environment. It ensures that appropriate systems to monitor and manage these risks have been implemented. This involves briefings from management as well as reports from the Council's internal and external auditors.

In 2009-10, an enterprise risk management framework was developed. Processes to ensure regular monitoring and reporting will be implemented in 2010-11.

Culture of Ethical Business Conduct

Board members, as public office holders, are bound by the federal government's *Conflict of Interest Act*, as well as the *Ethics for Canada Council Board Members* (updated in 2009-10 as part of the By-law Review). In 2009-10, all new Board members were apprised of the requirements of the latter two documents through their orientation material.

Environmental and Social Responsibility

The Council is committed to carrying out its mandate in an environmentally, socially and ethically responsible manner in accordance with its values and principles.

In an effort to fulfill this, the Council will continue to:

- conduct its business with honesty, integrity and fairness;
- strive to reduce its environmental footprint by incorporating environmental sustainability considerations into plans, programs, activities and projects; and
- provide an organizational climate that stimulates and supports employee performance and development.

The Board is responsible for overseeing these commitments. Both individual Board members and the Board as a collective are responsible for ensuring the integration of social, environmental and ethical considerations into Board-related matters.

Board Renewal and Appointments

The Board advises the government on appropriate selection criteria for the Chair of the organization, as well as competency profiles and future needs for Board members and for the position of Director/CEO.

The Governance and Nominating Committee maintains an up-to-date skills and expertise profile based on the Council's mandate, strategies, strengths and weaknesses, and the key issues and challenges facing the organization. Along with experience in the arts and expertise in areas such as finance and governance, it is also a priority to recommend candidates who represent or reflect Canada's official languages, regions, different generations, Aboriginal Peoples, cultural diversity, and gender equity.

The skills and expertise profile, and suggestions of potential candidates, are provided to the Minister of Canadian Heritage as vacancies arise.

Rosemary Vodrey (Winnipeg, MB) was appointed for a four-year term, effective April 23, 2009. Susan Knight (St. John's, NL) was re-appointed for a four-year term, effective September 15, 2009. At March 31, 2010, there were no Board vacancies.

Board Orientation and Continuing Education

New Board members are provided with an orientation session and information package, and attend all committee meetings at the time of their first Board meeting. The information package describes the role of the Board, its committees and members, relevant policies and information relating to the Council and its management. New Board members also meet with the Council's Executive Management Group to discuss the organization's key functions and activities.

In June 2009, an orientation session with management was organized for the Council's newest Board member.

In 2009-10, one Board member attended the *Financial Literacy in a Government Environment* course organized by the Canada School of Public Service. One member attended the Commonfund Forum (in the U.S.), a leading investment conference for trustees and investment staff of nonprofit institutional investors. A session on risk management was provided to all Board members in December 2009.

Board Performance Evaluation

Every year, under the direction of the Governance and Nominating Committee, the Board undertakes an evaluation of the performance of the full Board and Board committees. The Board works throughout the year to implement the recommendations resulting from the Board evaluation.

Senior Appointments

Guided by standard staffing principles and practices, a recruitment and selection process is in place for senior management positions. Staffing processes are managed either by the Human Resources Division or by an executive search firm. Job profiles are regularly reviewed and updated; vacancies are advertised nationally as well as on the Council's website for a minimum of one month; hiring and selection committees include experts that also represent Canada's cultural diversity.

In 2009-10, there were five senior appointments: Arash Mohtashami-Maali, Head, Writing and Publishing (April 20, 2009), Doug Sigurdson, Head, Visual Arts (May 4, 2009), Pierre Pontbriand, Head, Strategic Communications (May 11, 2009), Vincent Renaud, Head, Digital Media and Creative Services (May 19, 2009), Robin Ghosh, Director, Finance and Administration (February 8, 2010).

Director/CEO Assessment Activities

The Director/CEO is accountable to and reports to the Board, carries out its policies and directives, attends meetings of the Board and Board Committees, and represents the Council personally or through a delegate in its relations with departments and agencies of the government and with other organizations. The Director/CEO keeps the Board updated on important factors affecting the achievement of the Council's strategic objectives.

The Director/CEO's performance is assessed annually by the Board, according to the Privy Council Office's Performance Management Program for Chief Executive Officers of Crown Corporations. The Board communicates the results of the Director/CEO's annual performance appraisal to the Minister of Canadian Heritage.

Communications with the Minister of Canadian Heritage, Parliamentarians and Other Stakeholders

Good governance requires transparency and accountability. The Board is responsible for ensuring that the Council communicates effectively with the Minister and officials in the Department of Canadian Heritage, as it is accountable to Parliament through its Minister. It is also important for the Council, as a federal Crown corporation, to communicate effectively and in a timely manner with parliamentarians and other key stakeholders – public, government, and the arts community.

Among the key documents provided to the Minister, parliamentarians and other stakeholders in 2009-10 were the Canada Council's *Annual Report* and a compendium of funding provided to artists and arts organizations (including a national overview and provincial and territorial profiles). These reports are available at www.canadacouncil.ca/aboutus.

Annual Public Meeting

On September 30, 2009, the Council held its Annual Public Meeting in Moncton, New Brunswick. It reported on its recent activities and plans for the future, and received feedback from interested stakeholders. The Director/CEO, the Chair, the Vice-Chair and all other members of the Board, as well as senior staff, were present.

Board Committees

Board committees enhance the overall effectiveness of the Board by ensuring closer focus, oversight and monitoring of areas of particular concern. There are four standing committees of the Board: the Executive Committee, the Audit and Finance Committee, the Governance and Nominating Committee[1] and the Investment Committee. Their roles, responsibilities and reporting requirements are defined in the By-laws.

Executive Committee

The Executive Committee acts on behalf of the Board (with exceptions related to the approval or amendments of By-laws, policies, budgets, financial statements, grants or the Annual Report) in the interval between meetings of the Board.

Membership: Joseph L. Rotman (Chair), Simon Brault and Rosemary Vodrey.

Highlights

In 2009-10, the Executive Committee:

- reviewed and approved the final version of the revised Peer Assessment Policy (as delegated by the Board); and
- reviewed and recommended for approval the Director/CEO's performance assessment.

Audit and Finance Committee

The Audit and Finance Committee is responsible for the oversight of the Council's financial performance and ensures the integrity, effectiveness and accuracy of Council's financial reporting, control systems, integrated risk management processes and audit functions.

Membership: Simon Brault (Chair), Luc LaRochelle, Jerry Mazerolle, Anna Porter and Jean Saucier.

Board and Board Committee Attendance: April 1, 2009 to March 31, 2010

	Board	Executive	Investment	Audit & Finance	Governance & Nominating
# of Meetings	8	8	4	4	5
J.L. Rotman	5	8			
S. Brault	8	8		4	4
B. Burley	8				5
T. Hill	8				5
S. Knight	7				5
L. LaRochelle	8			4	
J. Mazerolle	8			4	
P. Ponting	8				5
A. Porter	7		4	4	
J. Saucier	7		4	4	
R. Vodrey	8	8			

Highlights

In 2009-10, the Audit and Finance Committee reviewed:

- the quarterly and annual financial statements;
- the annual budget proposal;
- updates on financial reporting standards;
- the risk-based internal audit plan;
- the internal audit reports on IT Risk Assessment, Program Development and Arts Tracking System (ATS) Privacy Review;
- the annual financial audit plan of the Office of the Auditor General;
- the actions taken to respond to the Special Examination recommendations; and
- the risk management framework and corporate risk profile.

Governance and Nominating Committee

The Governance and Nominating Committee is responsible for ensuring that proper structures and processes are in place for the effective oversight and direction of the Council's activities, including establishing a process to assess the Board's performance; orienting new Board members; reviewing the corporate By-laws and governance framework regularly; and maintaining a list of criteria for filling Board vacancies that ensures representation of the diverse communities served by the Council.

Membership: Simon Brault, Barbara Burley (Chair), Thomas V. Hill, Susan Knight and Philip Ponting.

Highlights

In 2009-10, the Governance and Nominating Committee:

- reviewed and recommended the approval of the revised *Governance Policy*, *By-laws*, and *Code of Ethics for Board members*;
- managed the Board evaluation process;
- oversaw the implementation of a web portal for Board information;
- oversaw the planning of the Council's Annual Public Meeting; and
- reviewed and communicated to Canadian Heritage the skill set and profile required for one Board vacancy.

Investment Committee

The Investment Committee is responsible for overseeing and providing expert advice on the Council's investment portfolio, including recommending Board policies with respect to investments, hiring professional fund managers and monitoring their activities.

Membership: Anna Porter, Jean Saucier and the following external experts: Tania Willumsen (Chair), Henry W.C. Gibbs, Susan Luke Hill, Ann Marshall, John H. Matthews and William J. Smith.

Highlights

In 2009-10, the Investment Committee:

- closely monitored Council's investments in a time of fluctuating markets, and had regular meetings with managers to review their performances;
- reviewed asset classes to ensure that Council's investments are appropriate; and
- proposed the re-appointment of Henry W.C. Gibbs, effective July 1, 2009, and the appointment of Ann Marshall, effective October 1, 2009.

Other Bodies

Certain Board members also serve on other bodies. Thomas V. Hill serves on the Kakaekwewin Committee. Susan Knight serves on the Executive Committee of the Canadian Commission for UNESCO. Luc LaRochelle serves on the Public Lending Right Commission. Rosemary Vodrey has been appointed to serve on the Advisory Committee for Racial Equality in the Arts (REAC).

Remuneration for Board Directors

Board members are paid an annual retainer and honoraria based on a fee structure recommended by the government and approved by Order in Council. For 2009-10, the total of fees paid to Board members was $93,317.

Executive Management Compensation

The Council has adopted salary ranges for its executive management group that reflect those established by the government for all EX-level positions in the federal public service. For 2009-10, the salary ranges were $200,700-236,200 for the position of Director/CEO and $98,000-160,600 for executive positions.

At March 31, 2010, the Executive Management Group consisted of Robert Sirman, Director/CEO; Michelle Chawla, Corporate Secretary and Director, Strategic Initiatives; Nicole Doucet, Director, Arts Disciplines; Manon Dugal, Director, Human Resources; Robin Ghosh, Director, Finance and Administration[2]; John Goldsmith, Director, Stakeholder Relations; and David Walden, Secretary-General, Canadian Commission for UNESCO. There was one vacant position: that of Director of Communications[3].

Travel and Hospitality Disclosure

The travel and hospitality expense information of senior executives is available at [illegible].

Disclosure of Wrongdoing

The Council's *Policy on the Internal Disclosure of Wrongdoing in the Workplace* is based on the requirements of the *Public Servants Disclosure Protection Act*, which applies to all persons employed in the public sector, including employees of the Canada Council and other Crown corporations. In 2009-10, there were no internal disclosures of wrongdoing in the workplace.

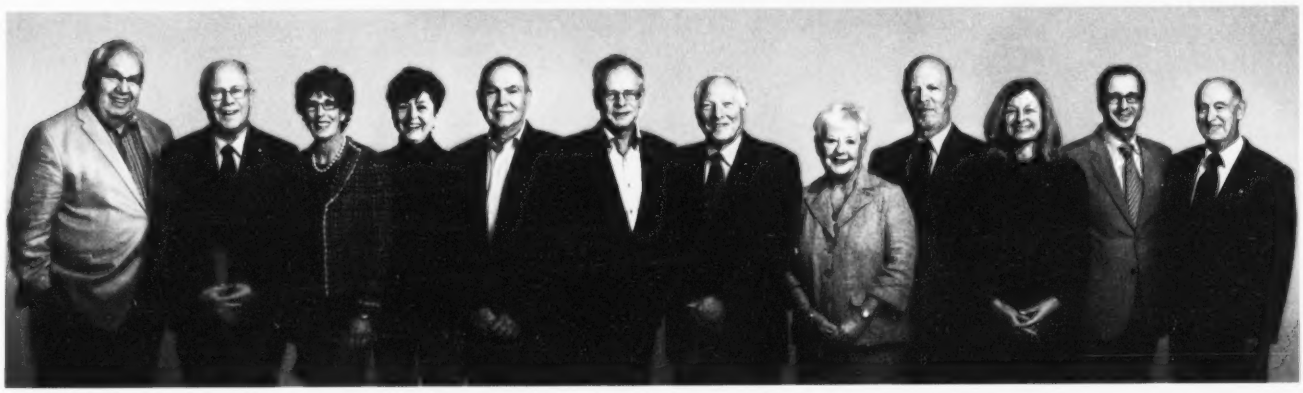
1. [illegible]

2. [illegible]

3. [illegible]

Biographies of the Board and Director & CEO

(as of March 31, 2010)



From left to right: Thomas Hill, Philip Ponting, Barbara Burley, Susan Knight, Robert Sirman, Simon Brault, Joseph Rotman, Rosemary Vodrey, Luc LaRochelle, Anna Porter, Jean Saucier, Jerry Mazerolle. Photos: Martin Lipman and Ned Pratt

Joseph L. Rotman, Chair, Ontario

Mr. Rotman is chair of Roy-L Capital Corporation, a private family investment company. He has played a key role in establishing a number of private and public companies, including Clairvest Group Inc., a Canadian-based merchant bank, of which he is still a board member. An Officer of the Order of Canada and a passionate supporter of the arts, Mr. Rotman has contributed to Canada's educational, cultural, economic, health care and research communities. Many organizations have benefited from his generous leadership and financial support, including the Art Gallery of Ontario, Baycrest Centre for Geriatric Care, CIHR, MaRs, the Toronto Hospital, and the University of Toronto. [Appointed July 30, 2008]

Simon Brault, Vice-Chair, Quebec

Mr. Brault has been CEO of the National Theatre School of Canada since 1997. A long-time arts advocate, he initiated Journées de la culture (1997), led the cultural delegation at the Sommet de Montréal (2002), was chief organizer and chair of the steering committee of RV07 - Montreal, Cultural Metropolis (2007), and is a founding member and president of Culture Montréal. In 2008, Mr. Brault received the Canadian Conference of the Arts' Keith Kelly Award for Cultural Leadership. He is an Officer of the Order of Canada. [Re-appointed March 31, 2009]

Thomas V. Hill, Ontario

Mr. Hill has played an influential role in the development of Aboriginal visual arts as a curator, writer, art historian, artist and volunteer. The first Aboriginal art curator in Canada, he was museum director at the Woodland Cultural Centre, near Brantford Ont., for over 20 years. In 2004, he received a Governor General's Award in Visual and Media Arts for outstanding contributions to the visual arts in Canada; he has an honorary doctorate from Wilfrid Laurier University. [Re-appointed January 29, 2008]

Susan Mary (Avery) Knight, Newfoundland and Labrador

Ms. Knight is a choral conductor and music educator of international repute, and the artistic director of Shallaway (formerly the Newfoundland Symphony Youth Choir), which she founded in 1992. In 1994, she founded Festival 500, a biennial international choral festival in St. John's initiated as a means of cultural affirmation and economic renewal for her province. She is a Member of the Order of Canada and of the Order of Newfoundland and Labrador. [Re-appointed September 15, 2009].

Barbara Burley, New Brunswick

Ms. Burley has long and varied management experience in the public and volunteer sectors. She was an Assistant Deputy Minister in Nova Scotia's Department of Community Services until her retirement in 2004. She then moved to New Brunswick and, among other volunteer activities, became more directly involved in the arts sector, as vice-chair of the board of the Sunbury Shores Art and Nature Centre, a board member of the Ross Museum of St. Andrews, N.B., president of the Centre de St. Andrews of the Jeunesses Musicales du Nouveau Brunswick and a member of The Shiretown Singers choral group. [Appointed December 3, 2007]

Jean Saucier, Quebec

Mr. Saucier has been an investment advisor for BMO Nesbitt Burns for the past 13 years. His involvement in the arts sector started in 1995. He has sat on the boards of *Vie des Arts* (1995-2007) and the Musée d'art contemporain de Montréal (1999-2007), was chair of the museum's foundation (1999-2006) and vice-chair of the Festival international des films sur l'art (2002-07). [Appointed December 3, 2007]

Anna Porter, Ontario

Ms. Porter has extensive experience in the publishing industry. She held several executive positions in leading book-publishing houses before founding Key Porter Books. She was Chief Executive Officer and Publisher until 2006. An award-winning author, she is an Officer of the Order of Canada, and was appointed to the Order of Ontario in recognition of her work in promoting Canadian authors internationally. Ms. Porter has served on the boards of several public companies. [Appointed January 29, 2008]

Jerry Mazerolle, New Brunswick

Mr. Mazerolle has held many different positions with La Fédération des Caisses populaires acadiennes ltée since 1982, after being director general of La Caisse populaire de Caraquet. He was also an advisor for the New Brunswick Judicial Council (1999-2006). He is currently treasurer of the Jeunesses Musicales du Nouveau-Brunswick, and a board member of the community radio station Radio Péninsule (CKRO). [Appointed February 26, 2008]

Luc LaRochelle, Quebec

Mr. LaRochelle is counsel with the national law firm of Borden Ladner Gervais, and serves on the boards of several corporations. He has been an extensive collector of visual art for many years and his collection is represented in most Quebec museums. A former board member of

Vie des Arts and the Association des collections d'entreprises du Québec, he has given frequent lectures on law and the visual arts. He has published five books, and his short stories and poetry have appeared in literary reviews in Quebec, Ontario and France. [Appointed June 18, 2008]

Philip G. Ponting, Alberta

With a legal career that spans 35 years, Mr. Ponting is currently a senior partner in the Calgary office of McLennan Ross, where he practises administrative law, focussing primarily on employment law. He has contributed significantly to the arts, and has served on the boards of the Edmonton Concert Hall Foundation, the Alberta Performing Arts Stabilization Fund, the Board of Governors of the Banff Centre, and the Council of Governors of the Edmonton Aviation Historical Society. He was also a member of the Edmonton Symphony Society from 1986 to 1996. [Appointed February 16, 2009]

Rosemary L. Vodrey, Manitoba

Ms. Vodrey has extensive experience working with Manitoba's cultural community. A representative in the Manitoba Legislative Assembly from 1990 to 1999, she held a number of Cabinet positions, including Minister of Culture, Heritage and Citizenship. In this capacity, she was responsible for the Manitoba Council for the Arts from 1997 to 1999. She is currently a member of the Western Canada Aviation Museum's board. Ms. Vodrey has an educational background in psychology and law. [Appointed April 23, 2009]

Robert Sirman, Director and CEO

Before joining the Canada Council, Mr. Sirman served for five years as policy advisor in Ontario's first Ministry of Culture, 10 years as Director of Operations and Director of Research and Policy Planning at the Ontario Arts Council, and 15 years as co-CEO of Canada's National Ballet School. While at the School, Mr. Sirman spearheaded a $100 million capital expansion program that tripled the School's physical plant and garnered national and international awards. Under his leadership the Canada Council has undertaken the most extensive strategic planning exercise in its history, reorganized internally following a year-long review, and successfully completed its first special examination by the Auditor General. [Re-appointed effective June 26, 2010]

Senior Staff

(as of March 31, 2010)

Director and CEO's Office

Robert Sirman, Director and CEO*

Michelle Chawla, Corporate Secretary* and Director, Strategic Initiatives

John Goldsmith, Director* Stakeholder Relations

David Walden, Secretary-General* Canadian Commission for UNESCO

Strategic Initiatives

Sheila James, Coordinator Equity

Claire McCaughey, Manager Research

Louise Profeit-LeBlanc, Coordinator Aboriginal Arts

Kelly Wilhelm, Coordinator Partnership and Networks

Arts Disciplines

Nicole Doucet, Director*

Lolita Boudreault, Acting Executive Secretary Public Lending Right Commission

Youssef El-Jaï, Head Media Arts

Roger Gaudet, Head Theatre

Donna Gazale, Acting Head Arts Services

Russell Kelley, Head Music

Kelly Langgard, Coordinator Audience and Market Development

Arash Mohtashami-Maali, Head Writing and Publishing

Claude Schryer, Coordinator Inter-Arts

Doug Sigurdson, Head Visual Arts

Anne Valois, Head Dance

Communications

Joanne Larocque-Poirier, Acting Director*

Victoria Henry, Director Art Bank

Janet Riedel Pigott, Acting Head Endowments and Prizes

Pierre Pontbriand, Head Strategic Communications

Vincent Renaud, Head Digital Media and Creative Services

Finance and Administration

Robin Ghosh, Director*

Carole Boileau, Head Finance

Luc Charlebois, Head Financial Planning

Pierre Crispin, Manager Administrative Services

Daniel Plouffe, Head Information Management Services

Human Resources

Manon Dugal, Director*

*Members of the Executive Management Group

"The programs delivered by the Canada Council for the Arts are aligned with the priorities of Canadians."

Financial Statements

Management's Responsibility For Financial Reporting

The accompanying financial statements of the Canada Council for the Arts and all the information in this annual report are the responsibility of Management and have been approved by the Board.

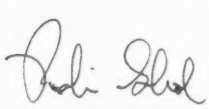
The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances. The financial statements include amounts based on Management's best estimates as determined through experience and judgment. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

The Canada Council for the Arts maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the organization's assets are appropriately accounted for and safeguarded.

The Board is responsible for the management of the business and activities of the Canada Council for the Arts. In particular, they are responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. They exercise this responsibility through the Audit and Finance Committee, which is composed of members who are not employees of the Canada Council for the Arts. The Audit and Finance Committee meets with Management, the internal auditors and the Auditor General of Canada on a regular basis. The Committee reports its findings to the Board for consideration when approving the financial statements.

The independent auditor, the Auditor General of Canada, is responsible for auditing the financial statements of the Canada Council for the Arts, and for issuing her report thereon.

Robert Sirman
Director and Chief Executive Office



Robin Ghosh, CA, CPA
Chief Financial Officer

May 28, 2010

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Canada Council for the Arts
and the Minister of Canadian Heritage and Official Languages

I have audited the balance sheet of the Canada Council for the Arts as at March 31, 2010 and the statements of operations, comprehensive income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Council that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the applicable provisions of Part X of the *Financial Administration Act*, the *Canada Council for the Arts Act* and the by-laws of the Council.

Sylvain Ricard, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 28, 2010

Balance Sheet

as at March 31 (in thousands of dollars)

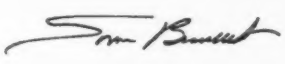
		2010		2009
Assets				
Current assets				
Cash and cash equivalents	$	1,026	$	9,829
Accounts receivable		1,669		1,296
Prepaid expenses		217		605
Derivatives (Note 7)		3,761		10
		6,673		11,740
Investments (Note 8)		265,554		229,073
Works of art and musical instruments (Note 10)		20,710		20,165
Other capital assets (Note 11)		2,651		3,071
Total assets	**$**	**295,588**	**$**	**264,049**
Liabilities				
Current liabilities				
Grants payable	$	26,452	$	30,387
Accounts payable and accrued liabilities		2,971		3,227
Derivatives (Note 7)		13		96
Deferred parliamentary appropriations		37		43
		29,473		33,753
Deferred revenues		2,452		2,792
Employee future benefits (Note 12)		2,192		2,124
Total liabilities		**34,117**		**38,669**
Equity				
Contributed surplus (Note 13)		50,000		50,000
Retained earnings		12,715		13,317
Accumulated other comprehensive income (Note 14)		11,301		(24,847)
		24,016		(11,530)
Reserve from the capitalization of investment income		166,745		166,745
Reserve for investment in works of art and musical instruments		20,710		20,165
		187,455		186,910
Total equity		**261,471**		**225,380**
Total liabilities and equity	**$**	**295,588**	**$**	**264,049**

Contractual obligations and commitments (Note 18)

(The accompanying notes and schedules form an integral part of the financial statements)

On behalf of the Board:

Joseph L. Rotman
Chair



Simon Brault
Vice-Chair

Statement of Operations

for the year ended March 31 (in thousands of dollars)

	2010	2009
Revenues		
Net investment income (Note 15)	$ 7,825	$ 5,398
Net Art Bank revenue (Note 16)	404	395
Other revenues	2,855	2,457
Total revenues	**11,084**	**8,250**
Expenses		
Programs		
Grants (Schedule 1)	158,390	158,186
Administration (Schedule 2)	12,512	12,452
Services	5,726	5,404
	176,628	**176,042**
Canadian Commission for UNESCO (Note 16)	2,005	2,521
General administration (Schedule 2)	15,592	14,349
Total expenses	**194,225**	**192,912**
Net cost of operations before parliamentary appropriation	183,141	184,662
Parliamentary appropriation	183,122	182,242
Net results for the year	**$ (19)**	**$ (2,420)**

(The accompanying notes and schedules form an integral part of the financial statements)

Statement of Comprehensive Income

for the year ended March 31 (in thousands of dollars)

	2010	2009
Net results for the year	**$ (19)**	**$ (2,420)**
Other comprehensive income (loss)		
Available-for-sale financial assets		
Unrealized gains (losses) on unrestricted available-for-sale financial assets during the year	17,598	(58,167)
Reclassification to the statement of operations of realized losses in the year	8,525	811
Net change in unrealized gains (losses) in available-for-sale financial assets	26,123	(57,356)
Restricted contributions from non-owners		
Unrealized gains (losses) on contributions from non-owners during the year	6,518	(21,242)
Reclassification to the statement of operations of realized losses in the year	3,450	401
Donations from non-owners received during the year	1,287	-
Net investment income attributed to non-owners	1,621	537
Use of funds attributed to non-owners	(2,851)	(3,068)
Net change in unrealized gains (losses) in contributions from non-owners	10,025	(23,372)
Comprehensive income (loss) for the year	**$ 36,129**	**$ (83,148)**

(The accompanying notes and schedules form an integral part of the financial statements)

Statement of Changes in Equity

for the year ended March 31 (in thousands of dollars)

	2010	2009
Equity		
Contributed surplus (Note 13)	$ 50,000	$ 50,000
Retained earnings		
Balance at beginning of the year	13,317	13,796
Net results for the year	(19)	(2,420)
Appropriated from the reserve from the capitalization of investment income during the year	-	2,000
Appropriated to the reserve for the investment in works of art and musical instruments during the year	(583)	(59)
Balance at end of the year	**12,715**	**13,317**
Accumulated other comprehensive income (Note 14)		
Net unrealized losses from available-for-sale financial assets		
Balance at beginning of the year	(77,090)	(19,734)
Other comprehensive income (loss) for the year	26,123	(57,356)
Balance at end of the year	**(50,967)**	**(77,090)**
Restricted contributions from non-owners		
Balance at beginning of the year	52,243	75,615
Other comprehensive income (loss) for the year	10,025	(23,372)
Balance at end of the year	**62,268**	**52,243**
Total accumulated other comprehensive income (loss)	11,301	(24,847)
Total retained earnings and accumulated other comprehensive income (loss)	**24,016**	**(11,530)**
Reserves		
Reserve from the capitalization of investment income		
Balance at beginning of the year	166,745	168,745
Appropriated to retained earnings during the year	-	(2,000)
Balance at end of the year	**166,745**	**166,745**
Reserve for the investment in works of art and musical instruments		
Balance at beginning of the year	20,165	20,118
Net disposals during the year	(38)	(12)
Appropriated from retained earnings during the year	583	59
Balance at end of the year	**20,710**	**20,165**
Total reserves	**187,455**	**186,910**
Balance of equity at end of the year	$ 261,471	$ 225,380

(The accompanying notes and schedules form an integral part of the financial statements)

Statement of Cash Flows

for the year ended March 31 (in thousands of dollars)

	2010	2009
Operating Activities		
Net results for the year	$ (19)	$ (2,420)
Items not affecting cash and cash equivalents		
Income on contributions from non-owners capitalized	(1,230)	(2,531)
Losses from disposal of financial assets classified as available for sale	4,903	977
Impairment on available for sale financial instruments	6,549	-
Loss (gain) on foreign currency from disposal of financial assets classified as available for sale	13	(16)
Amortization - other capital assets	968	1,048
Employee future benefits	68	179
	11,252	(2,763)
Change in non-cash operating assets and liabilities (Note 17)	(8,356)	(9,431)
Cash provided by (used by) operating activities	2,896	(12,194)
Financing Activities		
Contributions received from non-owners	1,287	-
Investing Activities		
Purchases of investments	(43,917)	(55,664)
Sales of investments	32,061	60,594
Acquisition of other capital assets, works of art and musical instruments	(1,130)	(719)
Cash (used for) provided by investing activities	(12,986)	4,211
Decrease in cash and cash equivalents	(8,803)	(7,983)
Cash and cash equivalents at beginning of the year	9,829	17,812
Cash and cash equivalents at the end of the year	$ 1,026	$ 9,829
Represented by:		
Cash equivalents (Note 6)	$ 4,501	$ 8,199
(Bank overdraft) Cash	(3,475)	1,630
	$ 1,026	$ 9,829

(The accompanying notes and schedules form an integral part of the financial statements)

Notes to Financial Statements

March 31, 2010

1 Authority, Operations and Objectives

The Canada Council for the Arts (the "Council"), established by the *Canada Council Act* in 1957 and subsequently amended in 2001 by Bill C-40 to the *Canada Council for the Arts Act*, is not an agent of Her Majesty and is deemed to be a registered charity for the purposes of the *Income Tax Act*. In accordance with section 85(1.1) of the *Financial Administration Act*, the Council is exempt from Divisions I to IV of Part X of this Act, except for subsection 105(2) and sections 113.1 and 119 of Division II, sections 131 to 148 of Division III and section 154.01 of Division IV. The Council is a Crown corporation whose objectives are to foster and promote the study and enjoyment of, and the production of works in, the arts.

The Council achieves its objectives primarily through grant programs to professional Canadian artists and arts organizations. The Council incurs administration and services expenses in the delivery of programs. Program administration expenses are detailed in Schedule 2 and represent the direct costs of program delivery. Program services expenses mainly represent the costs associated with the adjudication of the Council's grants. General administration costs represent the costs related to corporate management, communications, human resources, information management, finance, accommodation and amortization.

The *Canada Council for the Arts Act* assigns the Council with the functions and duties for the Canadian Commission for UNESCO (the "Commission"). The Commission advises the Government of Canada on its relations with the United Nations Educational, Scientific and Cultural Organization (UNESCO). The Commission also fosters co-operation between Canadian organizations in civil society and UNESCO.

2 Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The Council adopted the changes made to the standards to enhance disclosure on fair value measurement of financial instruments and to liquidity risk as outlined in Note 3. The significant accounting policies of the Council are:

(A) Measurement uncertainty

The preparation of financial statements in accordance with Canadian GAAP requires the Council to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Employee-related liabilities, the estimated useful lives of capital assets and the fair value of financial instruments are the most significant items where estimates are used. Actual results could differ from those estimated.

(B) Financial instruments

All financial instruments are initially measured at fair value. The following table identifies the Council's financial assets and liabilities and identifies how they are classified and subsequently measured.

Financial asset or liability	Basis of classification	Measurement
Cash and cash equivalents	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Investments	Available-for-sale	Fair value
Derivatives	Held-for-trading	Fair value
Grants payable	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

(C) Cash equivalents

Cash equivalents represent short-term, highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents on the Council's balance sheet comprise units in a short-term pooled fund. Distributed income is recorded on an accrual basis and is recognized in the statement of operations under net investment income in the year in which it is earned.

(D) Derivatives

The Council does not apply hedge accounting to its derivatives. Derivatives are recognized at fair value on the balance sheet. Derivatives with a positive (negative) fair value are reported as assets (liabilities). All changes in the fair value of derivatives are recognized on the statement of operations under net investment income in the year in which they occur.

(E) Investments

Changes in the fair value of investments are recognized directly in other comprehensive income until the investment is derecognized, or until a loss is considered to be other than temporary, at which time the cumulative gain or loss previously recognized in accumulated other comprehensive income is recognized in net investment income on an average cost basis for the year. The investments may be sold in response to changes in the Council's liquidity requirements and to rebalance the asset mix to benchmarks stipulated in the Council's investment policy. Purchases of investments are recorded on the settlement date. All investment revenues are recorded in the statement of operations under net investment income. All management fees paid are expensed in the year.

(F) Other capital assets, works of art and musical instruments

Equipment and leasehold improvements are carried at cost less the accumulated amortization. Amortization is calculated using the straight-line method, over the estimated useful lives of the assets as follows:

Office equipment	5 years
Leasehold improvements	remaining term of the lease

Purchased works of art and musical instruments are capitalized at cost. Donated works of art and musical instruments are recorded at their fair value. No amortization is recorded on these assets.

(G) Employee future benefits

I) Severance benefits
Employees are entitled to severance benefits, as provided for under conditions of employment and the collective agreement. The cost of these benefits is accrued as the employees render the services necessary to earn them. The liability is calculated based on management's best estimates and assumptions, on the employee's salary and number of years of service as at March 31. For employees who have attained the age of 50, with one year or more of continuous service, one week's salary is calculated for each completed year of continuous service up to a maximum of 28 weeks. For employees who have not attained the age of 50, with one or more years of service, one-half of one week's salary is calculated for each completed year of continuous service up to a maximum of 26 weeks. Term employees who have 12 consecutive months of continuous service are entitled to either two days pay for each completed year of continuous service or five days pay, whichever is greater. These benefits represent the only employment obligation of the Council that entails settlement by future payment.

II) Pension benefits
All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Council's contribution to the plan reflects the full cost as employer. The amount is currently based on a multiple of the employee's required contributions and may change over time depending on the experience of the Plan. These contributions are expensed during the year in which the services are rendered and represent the total pension obligations of the Council. The Council is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

(H) Reserves

I) Reserve from the capitalization of investment income
This reserve represents the sum of excess investment income since the establishment of the Council in 1957. In years when net investment income exceeds the amount of net budgeted investment income, an amount may be transferred from the retained earnings to the reserve from the capitalization of investment income. In years when net investment income is less than the amount of net budgeted investment income, an amount may be transferred to the retained earnings from the reserve from the capitalization of investment income. These transfers are approved by the Board.

II) Reserve for investment in works of art and musical instruments
This reserve represents a transfer from retained earnings to the reserve of an amount equal to the cost of works of art or musical instruments purchased or disposed or the original appraised value of works of art or musical instruments donated to, or disposed by, the Council.

(I) Revenue recognition

I) Parliamentary appropriation
Parliamentary appropriation is recognized as revenue in the year for which it is approved by Parliament. Parliamentary appropriation for specific projects is deferred and recognized on the statement of operations in the year in which the related expenses are incurred. The parliamentary appropriation is mainly used for operations.

II) Contributions
The Council receives non-owner contributions that are externally restricted for specific purposes by the donors.

Externally restricted non-owner contributions, including realized and unrealized gains and losses for the associated externally restricted investment income, are recognized in other comprehensive income. The accumulated income from restricted non-owner contributions is reduced and recognized in the statement of operations under net investment income once the related expenses are incurred.

Unrestricted non-owner contributions are recognized as other revenue in the year received or in the year the funds are committed to the Council if the amount can be reasonably estimated and collection is reasonably assured.

In-kind contributions are recorded at their fair value when they are received.

III) Art Bank rental revenues
Revenues generated from the rental of works of art are recognized in the year in which services are provided. They are included in net Art Bank revenue.

IV) Other revenues
Other revenues consist mainly of the cancellation in the current year of grants approved in previous years.

(J) Grants

Grants are recorded as an expense in the year for which they are approved by the Board.

(K) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies and non-monetary assets carried at market are translated to Canadian dollars at the exchange rate in effect at the balance sheet. Revenue and expense items are translated at average exchange rates prevailing throughout the year. All exchange gains and losses are included in determining the net results for the year except for available-for-sale investments where unrealized translation gains and losses are recorded in other comprehensive income until the asset is sold or becomes impaired.

(L) Operating leases

The Council enters into operating leases for its office accommodation. Lease inducements are recorded as a reduction to the office accommodation expense on a straight-line basis over the term of the lease.

(M) Future accounting changes

In February 2008 the Canadian Accounting Standards Board announced that all publicly-accountable Canadian reporting entities will adopt International Financial Reporting Standards (IFRSs) as Canadian generally accepted accounting principles for years beginning on or after January 1, 2011.

In December 2009, the Public Sector Accounting Board (PSAB) issued an amendment to the Introduction to Public Sector Accounting Standards of the PSA Handbook. This amendment eliminated the Government Business Type Organizations (GBTO) classification. Government organizations previously classified as GBTO are required to reclassify themselves in the Government Business Entity, Government Not-For-Profit Organization (GNPO) or Other Government Organization categories and adopt the applicable accounting standards for years on or after January 1, 2011.

The Council is currently evaluating its classification in accordance with the PSAB Introduction to the PSA Handbook and in CICA Section 4400 applicable to GNPOs.

3 Adoption of New Accounting Standards

3862 – Financial Instruments – Disclosures

The Council adopted the changes made by the CICA to Section 3862 Financial Instruments – Disclosures, to enhance disclosures about fair value measurements and about liquidity risk of financial instruments.

All financial instruments measured at fair value have to be classified in fair value hierarchy levels that reflect the significance of the inputs used in making the measurements.

Liquidity risk disclosure was enhanced with the inclusion of a maturity analysis for derivative and non-derivative financial liabilities.

As the changes to CICA Section 3862 relate solely to disclosure requirements, they do not have an impact on the Balance Sheet, Statement of Operations, Statement of Comprehensive Income, Statement of Changes in Equity or Statement of Cash Flows of the Council. The required disclosures are included in Notes 5 and 9.

3064 - Goodwill and Intangible Assets

In February 2008, the CICA issued a new accounting standard, Section 3064 - Goodwill and Intangible Assets, which replaces Section 3062 - Goodwill and Other Intangible Assets. The standard defines the recognition and measurement criteria for intangible assets and, in particular, for intangible assets that are internally generated. Section 3064 is effective for periods beginning on or after October 1, 2008.

The standard provides guidance for the recognition of intangible assets including computer software that is not an integral part of the related hardware. The implementation of this new section did not have any impact on the Council's financial statements.

❹ Capital Management

The Council's capital consists of Restricted contributions from non-owners, Contributed Surplus (see Note 13), a Reserve from the capitalization of investment income (see Note 2(h)i), a Reserve for investment in works of art and musical instruments (see Note 2(h)ii)) and Retained Earnings.

The Council's objective when managing capital is to safeguard the Council's ability to continue its mandate (as described in Note 1). In order to meet its capital management objectives, the Council invests in a diversified portfolio.

There have been no changes to the way Council manages its capital from the previous year.

Restricted contributions from non-owners

The contributions from non-owners consist of contributions received or receivables by way of bequest and donation that have been restricted for specific purposes by the donors, the proportionate share of unrealized and/or recognized gains or losses on the associated investments and unspent restricted income earned on the associated investments.

The original contribution principal from non-owners received up to March 31, 2010 is $38,758,000 (2009 - $37,471,000). Each contribution received is included with the Council's investment portfolio and a proportionate share of that contribution is calculated based upon the fair value of the investment portfolio at the time it was received. The Council manages the contributions as stipulated in the trust documents. The Council has complied with the requirements of these external contributions.

❺ Financial Instruments

Ⓐ Summary of financial instruments

At March 31, 2010, the classification of the Council's financial instruments, as well as their carrying amounts and fair values are as follows:

(in thousands of dollars)		2010	2009
Financial assets and liabilitities	**Classification**	**Carrying Amount and Fair Value ($)**	**Carrying Amount and Fair Value ($)**
Cash and cash equivalents	Held for trading	1,026	9,829
Accounts receivable	Loans and receivables	1,669	1,296
Derivatives net	Held for trading	3,748	(86)
Investments[1]	Available for sale	265,554	229,073
Grants payable	Other liabilities	26,452	30,387
Accounts payable and accrued liabilities	Other liabilities	2,971	3,227

[1] The detailed fair value for the investments is listed in Note 8.

Ⓑ Risk management

The Council is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, liquidity risk and market risk (price risk, interest rate risk and currency risk). The long term goal of the Council's investment policy is to produce long term real returns to supplement the costs of administering the various programs, while maintaining the purchasing power of the endowed capital. This policy allows the use of certain derivative financial instruments.

In order to manage risk, the Council invests in a diversified portfolio that is managed by professional investment managers. The Council's investments are guided by a Statement of Investment Policies and Goals which is approved by the Board and reviewed on an annual basis. The Council is assisted in the oversight and management of its portfolio by an Investment Committee that includes independent experts with experience in both the investment field and the asset classes being invested in. In addition, the Council uses the services of an independent investment consultant to assist the investment Committee in its work. As the investment markets continue to evolve, the Investment Committee recommends adjustments to the asset mix to minimize the overall risk of the portfolio.

i) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Council.

At the balance sheet date, financial assets exposed to credit risk include investments, accounts receivable and derivatives. The carrying amounts of these financial assets represent the maximum credit risk exposure at the balance sheet date.

Through its investments in units of equity, fixed income and alternative pooled funds and in limited partnership units of four real estate funds and an infrastructure fund, the Council is indirectly exposed to the credit risk of the underlying investments of those funds. These risks are managed at the investment manager level. Their objectives are to invest in high quality financial instruments with creditworthy counterparties, by limiting the amount that can be invested in any one counterparty and by using other limits set out in the Council's investment policy.

The majority of the Council's accounts receivables are due from the Government of Canada and, as such, have low credit risk. The Council mitigates credit risk through monitoring of the outstanding balances. As at March 31, 2010, there were no significant amounts past due.

The credit risks on derivatives are managed by contracting only with creditworthy counterparties that must satisfy two out of the three following

ratings from external credit rating agencies: A3 for Moody's, A- for Standard & Poor's or A- for Fitch/IBCA.

II) Liquidity Risk
Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they fall due.

The Council receives most of its revenue by way of parliamentary appropriation from the Government of Canada. That revenue is temporarily invested in the short-term pooled fund until it is required.

The objectives of the Council with respect to the management of liquidity is to ensure that the capital value of its short-term pooled funds is preserved, that the investments are sufficiently liquid and that investment income is distributed in cash when possible.

The liquidity available from the short-term funds and investments ensures that the Council is able to meet its obligations and commitments. The majority of the investment portfolio can be redeemed within three days. As well, the permitted and prohibited investments are governed by Board-approved short-term and long-term investment policies which ensure that the liquidity risk is minimized.

The following table presents a maturity analysis for the Council's financial assets and liabilities.

as at March 31, 2010

(in thousands of dollars)	Total	No fixed maturity	2011	2012	2013
Financial Assets					
Cash and cash equivalents	1,026	-	1,026	-	-
Accounts receivable	1,669	-	1,663	6	-
Derivatives	3,761	-	3,761	-	-
Investments	265,554	265,554	-	-	-
	272,010	265,554	6,450	6	-
Financial Liabilities					
Grants payable	26,452	-	18,653	6,024	1,775
Accounts payable and accrued liabilities	2,971	-	2,971	-	-
Derivatives	13	-	13	-	-
	29,436	-	21,637	6,024	1,775

In the table above, investments are assests with no fixed maturity. Council has an Investment Policy that enables it to withdraw amounts, during the year, from its investment portfolio valued up to 4.5% of the previous three-year average market value using balances at September 30, if needed.

III) Market Risks
The Council's activities are primarily exposed to price risk, interest rate risk and currency risk.

The investment managers' directives are to manage the Council's market risks on a daily basis in accordance with the Council's policies. The Council's overall market positions are monitored on a quarterly basis by the Board of Directors and the Investment Committee.

Price risk
Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Council is exposed to market price risk arising from its investments in units of equity and alternative pooled funds and in limited partnership units of four real estate funds and an infrastructure fund.

Price sensitivity

The following details the Council's portfolio sensitivity to a 10% (2009 - 10.1%) increase or decrease in the market prices, with 10% (2009 - 10.1%) being the sensitivity rate used when reporting price risk internally to key management personnel and representing management's assessment of a reasonably possible change in market prices. The sensitivity rate is determined using the historical standard deviation for the total fund as determined by the investment advisor.

At 31 March 2010, if market prices had a 10% (2009 - 10.1%) increase or decrease with all other variables held constant, the increase or decrease in accumulated other comprehensive income for the year would have been $26,750,000 (2009 - $24,046,000) due to the increase or decrease in the fair value of available for sale financial assets.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The interest rate exposure of the Council arises from its interest bearing assets. The Council's cash includes amounts on deposit with a financial institution that earn interest at market rates. The objective of the Council is to manage its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds, while maintaining the minimum liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Council's results of operations.

The Council's investments in short-term pooled funds, fixed income pooled fund and alternative pooled funds are indirectly affected by movements in their fair value as a result of fluctuations in market interest rates. The impact of the fluctuation cannot be assessed since Council holds units of pooled funds and not the underlying assets.

Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

At the balance sheet date, the Council's only monetary financial instruments exposed to foreign currency were the derivatives liability valued at $13,000 (2009 - derivatives asset of $10,000) and no exposure (2009 - $136,000) in cash equivalents. Given the small size of the foreign currency exposure compared with the total assets of the Council, currency risk is not considered material.

6 Cash Equivalents

The Council invests in a short-term pooled fund managed by State Street Global Advisors (2009: TD Asset Management Inc.). All instruments held in the pooled funds are rated R1 (low) or A (low) or better as rated by a recognized bond rating agency. These funds are comprised of securities issued by different levels of government, chartered banks and corporate issuers. Except for instruments guaranteed by all levels of government, no more than 10% of the short-term portfolio is invested with any one issuer.

The pooled fund is the temporary investment of the Council's excess daily cash requirements which had a balance of $4,501,000 (2009 - $8,199,000). For the year ended March 31, 2010, this fund earned a return of 0.25% (2009 - 2.4%) and the underlying investments had an average weighted term to maturity of 19 days (2009 - 51 days).

7 Derivatives

The use of derivatives has been limited to foreign currency forward contracts. The Council currently uses foreign currency forward contracts that represent commitments to purchase or sell foreign currencies for delivery at a specific date in the future at a fixed rate to manage its foreign currency exchange risk. These contracts are typically for a one-month period.

During the year, the Council entered into foreign currency forward contracts to manage half of its exposure to foreign currency exchange risk on the non Canadian dollar denominated portion of its investments portfolio, except for the emerging market component which was unhedged and represented approximately 2.7% (2009 – 3.2%) of the investment portfolio.

Foreign currency forward contracts have notional amounts that serve as points of reference for calculating payments and are not the actual amounts that are exchanged. These amounts are not recorded on the balance sheet, as they do not represent their fair value. At March 31, 2010, the Council held foreign currency forward contracts, for settlement May 6, 2010, with a total notional amount of $63,909,000 (2009 – $62,577,000).

Currency	Forward rate	Notional Amount[1]
US dollar	0.986	33,694
Euro	0.728	15,870
United Kingdom Pound sterling	0.65	7,145
Japanese yen	92.075	3,392
Others	4.016	3,808

[1] The notional amount, expressed in thousands of dollars, represents 50% of the Council's exposure to those currencies as per its hedging strategy.

The fair value of outstanding foreign exchange forward contracts represents a liability of $13,000 (2009 – asset of $10,000) and reflects the potential loss if settlement were to take place on March 31, 2010. The derivative asset consists of an unrealized gain of $3,761,000 (2009 – unrealized loss of $96,000) on foreign currency forward contracts that matured on March 31, 2010, but only settled on April 7, 2010. The net investment income includes a net foreign currency gain for the year of $12,614,000 (2009 – loss of $5,471,000).

8 Investments

	2010					2009		
	Cost	Unrealized losses	Unrealized gains	Fair value		Cost	Fair value	
(in thousands of dollars)	$	$	$	$	%	$	$	%
Canada Council Endowment and Special Funds								
Pooled funds								
Equity	149,358	53,019	–	96,339	45.5	164,882	85,399	46.8
Fixed income	52,181	1,983	–	50,198	23.7	52,180	49,809	27.3
Alternatives	26,622	634	850	26,838	12.7	26,622	26,012	14.3
Money market	26,135	–	–	26,135	12.4	8,946	8,946	4.9
Real estate	6,027	364	101	5,764	2.7	10,311	8,985	4.9
Infrastructure	6,525	200	–	6,325	3.0	3,257	3,329	1.8
	266,848	**56,200**	**951**	**211,599**	**100.0**	**266,198**	**182,480**	**100.0**
Killam Funds								
Pooled funds								
Equity	39,930	15,034	–	24,896	46.1	44,228	22,072	47.4
Fixed income	13,183	517	–	12,666	23.5	13,182	12,567	27.0
Alternatives	6,831	163	216	6,884	12.8	6,831	6,676	14.3
Money market	6,049	–	–	6,049	11.2	1,942	1,942	4.2
Real estate	1,561	95	26	1,492	2.8	2,647	2,300	4.9
Infrastructure	2,030	62	–	1,968	3.6	1,013	1,036	2.2
	69,584	**15,871**	**242**	**53,955**	**100.0**	**69,843**	**46,593**	**100.0**
Total investments	**$ 336,432**	**$ 72,071**	**$ 1,193**	**$ 265,554**		**$ 336,041**	**229,073**	

Unrealized losses on investments are primarily due to the timing of the market prices, foreign exchange movements, or the early years in the business cycle for some investments. The Council does not consider these investments to be other-than-temporarily impaired as at March 31, 2010, except for the US real estate pooled fund mentioned in Note 15.

The long-term objectives of the Canada Council Endowment and Special Funds and the Killam Funds are to generate long-term real returns to supplement the costs of administering the various programs, while maintaining the purchasing power of the endowed capital.

The Council invests in units of equity, fixed income and alternative pooled funds and in limited partnership units of four real estate funds and an infrastructure fund. The permitted and prohibited investments as well as the asset mix are governed by a Board approved investment policy. All of the investments are managed by professional investment managers.

The Council manages its portfolio to the following benchmarks adopted by the Board in December 2009. The benchmarks allow asset class allocations to vary between a minimum and a maximum.

Asset Classes	Actual market value	Minimum	Benchmark	Maximum
Canadian equities	0%	0%	5%	7%
Global equities	46%	30%	40%	50%
Canadian fixed income	24%	25%	35%	40%
Alternatives	13%	5%	10%	15%
Real estate	3%	0%	5%	7%
Infrastructure	3%	0%	5%	7%
Money market	11%	0%	0%	15%

The asset mix policy was adjusted in December 2009 and at March 31, 2010 the Council had not completed re-balancing of the portfolio. The Council's Statement of Investment Policies and Goals allows for a grace period of six months for the rebalancing of the asset classes to the benchmark.

The money market asset class includes short-term pooled funds used for capital committed to future investment in limited partnership units of real estate and infrastructure funds and re-balancing to fixed income asset class. These funds had a balance of $32,184,000 (2009 - $10,888,000). For the year ended March 31, 2010, these funds earned a return of 0.25% (2009 - 2.4%) and the underlying investments had an average weighted term to maturity of 19 days (2009 - 51 days).

Investments in the equity pooled funds are comprised of units of two pooled funds both of which are invested in the global equity markets. The global equities are measured against the returns of the Morgan Stanley Capital International World Hedge Index. Investments in the fixed income pooled fund are comprised of Canadian Government and corporate bonds with a minimum credit quality of BBB or equivalent rated by a recognized bond rating agency. The fixed income fund is intended to replicate the returns of the DEX Universe Bond Index. Investments in the alternative pooled funds are comprised of units of two hedge funds with diversified positions across global asset classes. These investments are measured against the returns of the Scotia Capital 91-day T-bill plus 20%. The assets included in the real estate funds are commercial real estate properties in Canada and the United States. These investments are measured against the returns of the Investment Property Databank for the Canadian managers and the National Council of Real Estate Investment Fiduciaries (NCREIF) for the US manager. The infrastructure fund includes a portfolio of diversified infrastructure investments. These investments are measured against the Consumer Price Index plus 4.5%.

9 Fair Value

(A) Establishing fair value

The carrying value of cash, accounts receivable, grants payable and accounts payable and accrued liabilities approximates their fair values due to their short-term maturity.

The fair value of derivative instruments is calculated using supportable observable market inputs including the current market spot and the forward exchange rates at year end (see Note 7).

The fair values of the investments are determined as follows:

Pooled fund investments are valued at the unit values supplied by the pooled fund managers, which represent the Council's proportionate share of the underlying net assets at fair values, determined using closing market prices (Level 2).

Real estate investment values are supplied by the fund managers using independently audited appraisals which are based on a valuation model with non-observable data. The independently audited appraisals are obtained annually (Level 3).

Infrastructure investment values are supplied by the fund managers using internally audited appraisals which are reviewed annually by the fund's auditors as part of the annual fiscal year end audit of the fund. The appraisals are based on a valuation model with non-observable data (Level 3).

(B) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the Balance Sheet, classified using the fair value hierarchy described above:

Financial assets at fair value

as at March 31, 2010

(in thousands of dollars)	Level 1	Level 2	Level 3	Total
Held-For-Trading Financial Assets				
Bank overdraft	(3,475)	-	-	(3,475)
Cash equivalents	-	4,501	-	4,501
Foreign currency forward contracts	3,761	-	-	3,761
	286	**4,501**	**-**	**4,787**
Available-for-Sale Financial Assets				
Canada Council Endowment and Special Funds				
Pooled Funds				
Equity	-	96,339	-	96,339
Fixed Income	-	50,198	-	50,198
Alternatives	-	-	26,838	26,838
Money Market	-	26,135	-	26,135
Real Estate	-	-	5,764	5,764
Infrastructure	-	-	6,325	6,325
Killam Funds				
Pooled Funds				
Equity	-	24,896	-	24,896
Fixed Income	-	12,666	-	12,666
Alternatives	-	-	6,884	6,884
Money Market	-	6,049	-	6,049
Real Estate	-	-	1,492	1,492
Infrastructure	-	-	1,968	1,968
	-	**216,283**	**49,271**	**265,554**
Total	**286**	**220,784**	**49,271**	**270,341**

Financial liabilities at fair value

as at March 31, 2010

(in thousands of dollars)	Level 1	Level 2	Level 3	Total
Held-For-Trading Financial Liabilities				
Foreign currency forward contracts	13	-	-	13
Total	**13**	**-**	**-**	**13**

During the year, there were no significant transfers of amounts between Level 1 and 2.

The following tables reconcile the changes in fair value of financial instruments classified as Level 3 during the year:

(in thousands of dollars)	Available-for-sale			Total
	Alternative funds	Real Estate funds	Infrastructure funds	
Canada Council Endowment and Special Funds				
Opening balance	26,012	8,985	3,329	38,326
Total gains or losses - recognized in other comprehensive income	826	1,063	(273)	1,616
Purchases	-	926	3,273	4,199
Issues	-	-	-	-
Settlements	-	-	(4)	(4)
Impairment	-	(5,210)	-	(5,210)
Transfers in/out of level 3	-	-	-	-
Closing balance	**26,838**	**5,764**	**6,325**	**38,927**
Killam Funds				
Opening balance	6,676	2,300	1,036	10,012
Total gains or losses - recognized in other comprehensive income	208	278	(85)	401
Purchases	-	253	1,018	1,271
Issues	-	-	-	-
Settlements	-	-	(1)	(1)
Impairment	-	(1,339)	-	(1,339)
Transfers in/out of level 3	-	-	-	-
Closing balance	**6,884**	**1,492**	**1,968**	**10,344**

The Council's valuation of Level 3 Investments was based on its assessment of the prevailing conditions at March 31, 2010, which may change materially in subsequent periods. The most significant factor which may have an impact on the future value of these assets is the market price. If market prices had a 16% increase or decrease with all other variables held constant, the increase or decrease on the future value of these assets would be approximately $8,000,000 in accumulated other comprehensive income.

10 Works of Art and Musical Instruments

(in thousands of dollars)	2010	2009
Works of Art	$ 19,162	$ 18,617
Musical Instruments	1,548	1,548
	$ 20,710	**$ 20,165**

The Council's Art Bank has the largest number of contemporary Canadian works of art in Canada. It includes over 17,500 paintings, sculptures, drawings, photographs and prints by over 3,103 artists. The Art Bank rents art works to interested parties and presently has over 5,900 (2009 - 6,400) works on rental to federal government departments and agencies, associations, hospitals, schools, municipalities and private corporations.

The Council created the Musical Instrument Bank in 1985, and it presently owns a fine cello bow and five quality musical instruments. In addition, the Council manages ten instruments on loan, nine from anonymous donors and one from another donor.

Agreements are signed with the organizations that rent the works of art and with the individuals to whom the instruments are loaned. Those agreements include clauses that stipulate how the works of art or musical instruments are to be handled in order to safeguard them. The Council insures the works of art and the musical instruments for their fair value.

11 Other Capital Assets

(in thousands of dollars)	Cost	2010 Accumulated amortization	2010 Net book value	2009 Net book value
Office equipment	$ 6,290	$ 5,280	$ 1,010	$ 1,006
Leasehold improvements	5,365	3,724	1,641	2,065
	$ 11,655	**$ 9,004**	**$ 2,651**	**$ 3,071**

12 Employee Future Benefits

i) Severance benefits

The Council provides severance benefits to its employees based on years of service and final salary. These benefits are not pre-funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from future appropriations or other sources of revenue. Information about the plan benefits, measured as at March 31, is as follows:

(in thousands of dollars)	2010	2009
Accrued benefit obligation, beginning of year	$ 2,124	$ 1,945
Cost for the year	286	290
Benefits paid during the year	(218)	(111)
Accrued benefit obligation, end of year	**$ 2,192**	**$ 2,124**

ii) Pension benefits

The Council and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Council's and employees' contributions to the Public Service Pension Plan for the year were as follows:

(in thousands of dollars)	2010	2009
Employer's contributions	$ 2,063	$ 1,882
Employees' contributions	$ 1,029	$ 924

13 Contributed Surplus

Contributed surplus represents the original contribution by the Government of Canada of $50 million, which constituted an Endowment Fund when the Council was established in 1957.

14 Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of unrealized gains or losses on available-for-sale investments and restricted contributions from non-owners.

The restricted contributions from non-owners are included with the Council's investment portfolio, and a proportionate share for each contribution is calculated based upon the fair value of the investment portfolio at the time the contribution was received. The proportionate share for each restricted contribution of the unrealized gains or losses from the revaluation to fair value of the Council's investment portfolio as at March 31, net of the reclassifications to income of realized gains or losses in the year, is recognized in other comprehensive income as non-owner contributions.

15 Net Investment Income

(in thousands of dollars)	2010	2009
Losses from disposal of financial assets classified as available-for-sale	$ (4,903)	$ (977)
Impairment on available-for-sale financial instruments[1]	(6,549)	-
(Losses) gains on foreign currency from disposal of financial assets classified as available-for-sale	(13)	16
Net foreign currency gain (loss) on financial assets and liabilities classified as held-for-trading	12,614	(5,471)
Interest and dividend income from financial assets classified as available-for-sale	6,859	10,847
Interest income from financial assets designated as held-for-trading	12	40
Income attributable to contributions from non-owners	1,230	2,531
Investment portfolio management costs	(1,425)	(1,588)
	$ 7,825	**$ 5,398**

[1] During the year, the Council recognized an impairment in the value of its interest in a US real estate pooled fund of $6.5 million as the loss in value was considered other than temporary.

The financial markets in which the Council invests are quite diversified, and investment income can fluctuate year over year. In years where investment income exceeds expectations, the Council reinvests excess income in order to maintain the purchasing power of the fund and to ensure its continued growth. This approach brings stability and long-term growth, so that, in years where income is not as favourable, previous years' income represented by reserve from the capitalization of investment income, a component of equity, can be utilized.

16 Net Art Bank Revenue and Canadian Commission for UNESCO

(in thousands of dollars)	2010	2009
Net Art Bank Revenue		
Rental revenue	$ 2,106	$ 2,142
Other income	267	178
Administration expense	(1,949)	(1,776)
Amortization of other capital assets	(20)	(149)
Net Art Bank Revenue	**$ 404**	**$ 395**
Canadian Commission for UNESCO		
Program expenses	$ 608	$ 1,284
Program - contributions received	(40)	(238)
Administration expense	1,437	1,475
Canadian Commission for UNESCO expenses	**$ 2,005**	**$ 2,521**

Program expenses represent mainly the costs associated with the Commission's activities at national and international meetings related to education, science and culture. These costs are offset by contributions received from other organizations partnering with the Commission on these activities. Administration expenses represent the direct costs of delivering the Commission's programs.

17 Change in Non-cash Operating Assets and Liabilities

(in thousands of dollars)	2010	2009
(Increase) decrease in accounts receivable	$ (373)	$ 123
(Increase) decrease in derivatives - assets	(3,751)	124
Decrease (increase) in prepaid expenses	388	(75)
Decrease in grants payable	(3,935)	(4,189)
(Decrease) increase in accounts payable and accrued liabilities	(256)	289
Decrease in derivatives - liabilities	(83)	(5,410)
Decrease in deferred revenues	(340)	(165)
Decrease in deferred parliamentary appropriations	(6)	(128)
Net cash used by non-cash operating assets and liabilities	**$ (8,356)**	**$ (9,431)**

18 Contractual Obligations and Commitments

(a) Payments of grants extending into future years are subject to the provision of funds by Parliament. Future year grants commitments approved prior to March 31, 2010 are as follows:

(in thousands of dollars)	
2011	$ 57,552
2012	18,395
2013	15,936

(b) The Council is party to long-term operating leases with respect to rental accommodation. The net minimum annual rental is as follows:

2011	$ 4,403
2012	4,403
2013	4,403
2014	3,440
2015	361
2016 - 2020	1,850
Total	**$ 18,860**

(c) The Council has signed agreements with real estate and infrastructure investment managers and committed capital in limited partnership funds. Because it takes time for those funds to be fully invested, the balance of committed capital not yet drawn at March 31, 2010 is $9,300,000. The outstanding balance of committed capital is currently invested in short term pooled funds.

19 Related Party Transactions

The Council is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Council enters into transactions with related parties in the normal course of business on normal trade terms applicable to all individuals and enterprises, and these transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. During the year, the Council incurred grant expenses totaling $145,000 (2009 - $130,000) and recorded rental revenues of works of art, contributions and other revenues totaling $1,871,000 (2009 - $2,132,000) with related parties.

As at March 31, the Council recorded the following amounts on the balance sheet for transactions with related parties:

(in thousands of dollars)	2010	2009
Accounts receivable	$ 627	$ 684
Grants payable	60	110
Accounts payable and accrued liabilities	7	41
Deferred revenues	774	850

20 Comparative Figures

Certain 2009 figures have been reclassified to conform to the presentation adopted in 2010.

Schedule 1

Grant Expenses by Section

for the year ended March 31 (in thousands of dollars)

	2010	2009
Arts Projects		
Music	$ 29,474	$ 29,633
Theatre	26,540	26,852
Writing and Publishing	24,597	23,750
Visual Arts	21,273	21,054
Dance	18,308	18,766
Media Arts	14,304	14,244
Public Lending Right Commission	9,963	9,954
Inter-Arts	2,522	3,187
Audience and Market Development	2,189	1,997
Alberta Creative Development	2,163	1,907
Aboriginal Arts	1,747	894
Equity	1,417	1,683
Other	1,595	1,699
Killam Awards		
Killam Research Fellowships	1,190	1,330
Killam Prizes	500	500
Other Awards		
Victor Martyn Lynch-Staunton Awards	105	105
Molson Prizes	100	100
John G. Diefenbaker Award	75	75
Walter Carsen Prize	50	50
Other prizes and awards < $50,000	278	406
	$ 158,390	$ 158,186

Schedule 2

Administration Expenses

for the year ended March 31 (in thousands of dollars)

	Programs	General Administration	2010 Total	2009 Total
Salaries	$ 8,635	$ 6,093	$ 14,728	$ 13,895
Employee benefits	2,312	1,593	3,905	3,794
Office accommodation	33	3,790	3,823	3,419
Professional and special services	542	1,346	1,888	1,747
Staff travel	680	222	902	1,007
Amortization	-	948	948	899
Printing, publications and duplicating	36	427	463	617
Communications	143	294	437	454
Information management	-	399	399	370
Meeting expenses including members' honoraria	110	191	301	267
Office expenses and equipment	3	265	268	300
Miscellaneous	18	24	42	32
	$ 12,512	$ 15,592	$ 28,104	$ 26,801

Index on the Arts

$22,700

average annual income of an artist; national average is $36,300 (2006 census data)

609,000

people employed in the arts and culture sector (Statistics Canada 2006)

$45.1 billion

impact of arts and culture on the Canadian economy (Statistics Canada 2008)

652

communities (Canadian/ international) in which artists and arts organizations were funded by the Canada Council (2009-10)

23%

increase in the number of artists 1996-2006 (census data)

0.08%

Canada Council budget as percentage of total federal government spending (2008-09)

$5.43

annual cost of the Canada Council per Canadian (2009-10)

$158.4 million

Canada Council direct investment in the arts (2009-10)

85%

percentage of Canadians who attended at least one type of arts or cultural event or activity in the past year (Canadian Heritage 2007)

90%

percentage of Canadians who feel that live performance spaces in their communities contribute to their quality of life (Canadian Heritage 2007)

536

Communities where the arts are funded

... and that's just where it starts. Canadian artists and arts organizations reach out beyond their home communities. From grassroots art projects to large-scale touring productions, they are making an impact on the lives of Canadians in communities across the country, and around the world. A vibrant arts culture benefits all Canadians – and the Canada Council for the Arts is proud to play a supporting role.

BEAMSVILLE
SAINT-LAURENT
BELLE RIVER
SAULT STE. MARIE
MOOSE FACTORY
MONTRÉAL
WHITEHORSE
COOKSTOWN
BERTRAND
SAINT-PATRICE-DE-BEAURIVAGE
SCARBOROUGH
SAINT-BRUNO
WHITBY
DEROCHE
SAINT-IRÉNÉE
BELLEVILLE
MEACHAM
WESTMOUNT
LE BIC
LONGUEUIL
SASKATOON
FRELIGHSBURG
ALERT BAY
MYCHIGEENG
ST. JOHN'S
CALABOGIE
VAUGHAN
TRENTON
OKA
CURVE LAKE
PICTON
CARAQUET

BELOEIL
FORT SIMPSON
WIKWEMIKONG
CARLSBAD SPRINGS
SAINT-LAMBERT
GRIFFIN
CARLETON
SAINTE-FOY
BERWYN
NEWMARKET
YARMOUTH
PENETANGUISHENE
IGLOOLIK
NORTH RUSTICO
BEDFORD
MONT-LAURIER
HERON BAY
WOLFVILLE
ETOBICOKE
LA PÊCHE
WAKEFIELD
BRUSSELS
NEW WESTMINSTER
GRAFTON
CHARLOTTETOWN
GRANVILLE ISLAND
COMOX
MASSET
KAMLOOPS
GANANOQUE
DENMAN ISLAND
BROSSARD
VIRGIL

KING CITY
SAINT-FRANÇOIS-DU-LAC
OSOYOOS
CARLETON-SUR-MER
HAISLA
SAINTE-MARGUERITE-DE-LINGWICK
MASSEY
SECHELT
PINCHER CREEK
QUÉBEC
GATINEAU
ALCOVE
PORT MOODY
EDGETTS LANDING
SACKVILLE
CLARESHOLM
SAINT JOHN
MONT-ROYAL
ALMA
HULL
SHARON
SAINT-JÉRÔME
BRAGG CREEK
ORONO
MARYSVILLE
BAIE-SAINT-PAUL
MARMORA
PETIT-SAGUENAY
AMHERST
DELTA
CHATSWORTH
ENDERBY

IQALUIT
ST. CATHARINES
SIOUX LOOKOUT
SAINT-BLAISE-SUR-RICHELIEU
WRECK COVE
BRANTFORD
GUELPH
AYER'S CLIFF
OWEN SOUND
DOLLARD-DES-ORMEAUX
FREDERICTON
DUNDAS
GREENFIELD PARK
CAMPBELLFORD
LACHINE
GRAND VALLEY
KENSINGTON
AURORA
SAINT-CHARLES-SUR-RICHELIEU
BAIE VERTE
SABLE RIVER
INUVIK
ELORA
MORRISBURG
GWYNNE
WHISTLER
SAINT-ANDRÉ-D'ARGENTEUIL
BURNABY
CAPLAN
SAINT-FRANÇOIS-

HARRISON HOT SPRINGS
MONTRÉAL-NORD
ROUYN-NORANDA
YORKTON
WESTBANK
MEAFORD
KANATA
HASTINGS
KESWICK RIDGE
PORT SMITH
TEHKUMMAH
RICHMOND HILL
MONCTON
LITTLE HARBOUR
EDMONTON
BLACK POINT
TABER
SAINT-FULGENCE
PEMBROKE
CAMROSE
BRAMPTON
BELLA COOLA
ROSTHERN
MANSONVILLE
SAINT-HYACINTHE
EASTEND
MIRAMICHI
POINTE-DE-L'ÉGLISE
MISSISSAUGA
MARKHAM
L'ASSOMPTION
SAINT-CÔME
SHOAL LAKE

Canada Council for the Arts
Conseil des Arts du Canada